Annual Report 2017

CIMIC

Annual Report 2017

CIMIC Group Limited ABN 57 004 482 982


CPB
CONTRACTORS
PACIFIC
partnerships
UGL
CIMIC
OVERSIZE
LOAD AHEAD

A world-leading infrastructure, mining, services and public private partnerships group

CIMIC

CPB CONTRACTORS | PACIFIC partnerships | UGL

Developing, investing in and managing infrastructure concession assets, leveraging CIMIC Group's financial strength.

Photo: Canberra Light Rail Stage One PPP, Australian Capital Territory, CPB Contractors, Pacific Partnerships and UGL.

Our activity focused businesses

CIMIC

CIMIC Group provides leadership, strategy, corporate governance and financial strength to its operating companies.

CONSTRUCTION

CPB CONTRACTORS · LEIGHTON

CPB CONTRACTORS is a leading international construction contractor with operations spanning Australia, New Zealand, Asia, India and Papua New Guinea. CPB Contractors delivers projects spanning all key sectors of the construction industry, including roads, rail, tunnelling, defence, building and resources infrastructure.

The company works with clients across a range of delivery models, including public private partnerships in conjunction with CIMIC Group's Pacific Partnerships, design and construct, construct only, construction management, and in alliances and joint ventures.

CPB Contractors combines the design and construction expertise and track record formerly delivered by Leighton Contractors and Thiess in Australia and New Zealand. It includes the people and projects of Leighton Asia, the contractor behind some of Asia's most complex projects.

MINING

THIESS

THIESS is the world's largest mining services provider. The team offers the widest range of in-house surface and underground mining capabilities across Australia, Botswana, Canada, Chile, Indonesia, and Mongolia. Thiess' expertise spans most of the world's commodities including metallurgical and thermal coal, copper, diamonds, gold, iron ore, lignite, nickel and oil sands.

From fully-resourced, end-to-end solutions, to targeted services, to supporting clients' in-house teams, the focus is on flexibility that delivers value for our clients. The team understands how to optimise resources over the mining lifecycle and how to manage market changes and evolving requirements, tailoring Thiess' services to optimise the mining value chain unique to each mine.

MINERAL PROCESSING

SEDGMAN

SEDGMAN is a market leader in the design, construction and operation of mineral processing plants and associated minesite infrastructure. With a track record in successful project and operation delivery, Sedgman is focused on realising value for clients through excellence in engineering and innovative solutions.

From pre-feasibility and commissioning through to operations, Sedgman has completed close to 200 processing and materials handling projects in diverse and remote locations globally. Sedgman has a balanced commodity portfolio across base and precious metals, industrial minerals, coal and iron ore, as well as associated minesite infrastructure.

Photo: WestConnex M4 East, New South Wales, Australia, CPB Contractors.

SERVICES

UGL

UGL is a diversified services company delivering critical assets and essential services that sustain and enhance the environment in which we live.

UGL delivers comprehensive engineering, operations and maintenance services to the rail, transportation, technology, energy, resources, water, renewables and defence sectors.

UGL's capabilities extend across a broad range of services and whole-of-life solutions, utilising world-leading, sustainable and innovative technologies to deliver great outcomes for our clients across diverse industry sectors.

UGL's skilled workforce, project delivery expertise in asset management, operations and maintenance, design and construction, project management capability, and end-to-end engineering is backed by a continuous focus on safety, innovation and improvement.

PUBLIC PRIVATE PARTNERSHIPS

PACIFIC partnerships

PACIFIC PARTNERSHIPS develops, invests in and manages infrastructure concession assets, leveraging CIMIC Group's financial strength and Operating Company capabilities.

Pacific Partnerships offers clients seamless value for money solutions for the finance, design, construction, operations and maintenance of key infrastructure under public private partnership (PPP) and build own operate transfer (BOOT) structures.

CIMIC has been responsible for the delivery of more than 20 PPPs with a value of over $32 billion.

ENGINEERING

EIC ACTIVITIES

EIC ACTIVITIES is CIMIC Group's engineering and technical services business.

Its engineering and risk mitigation expertise provides a competitive advantage for winning and delivering profitable projects that also generate value for clients.

Leading innovation, EIC Activities provides all Operating Companies with access to the Group's collective experience, technical capabilities and leading edge technology applications.

EIC Activities brings engineering experts, technical solutions, lean practices and global industry developments – equipping tender and project teams with more levers to innovate, mitigate risk, add value and drive performance.

OTHER INVESTMENTS

LEIGHTON PROPERTIES

Devine GROUP

ventia

HLG

Our worldwide expertise

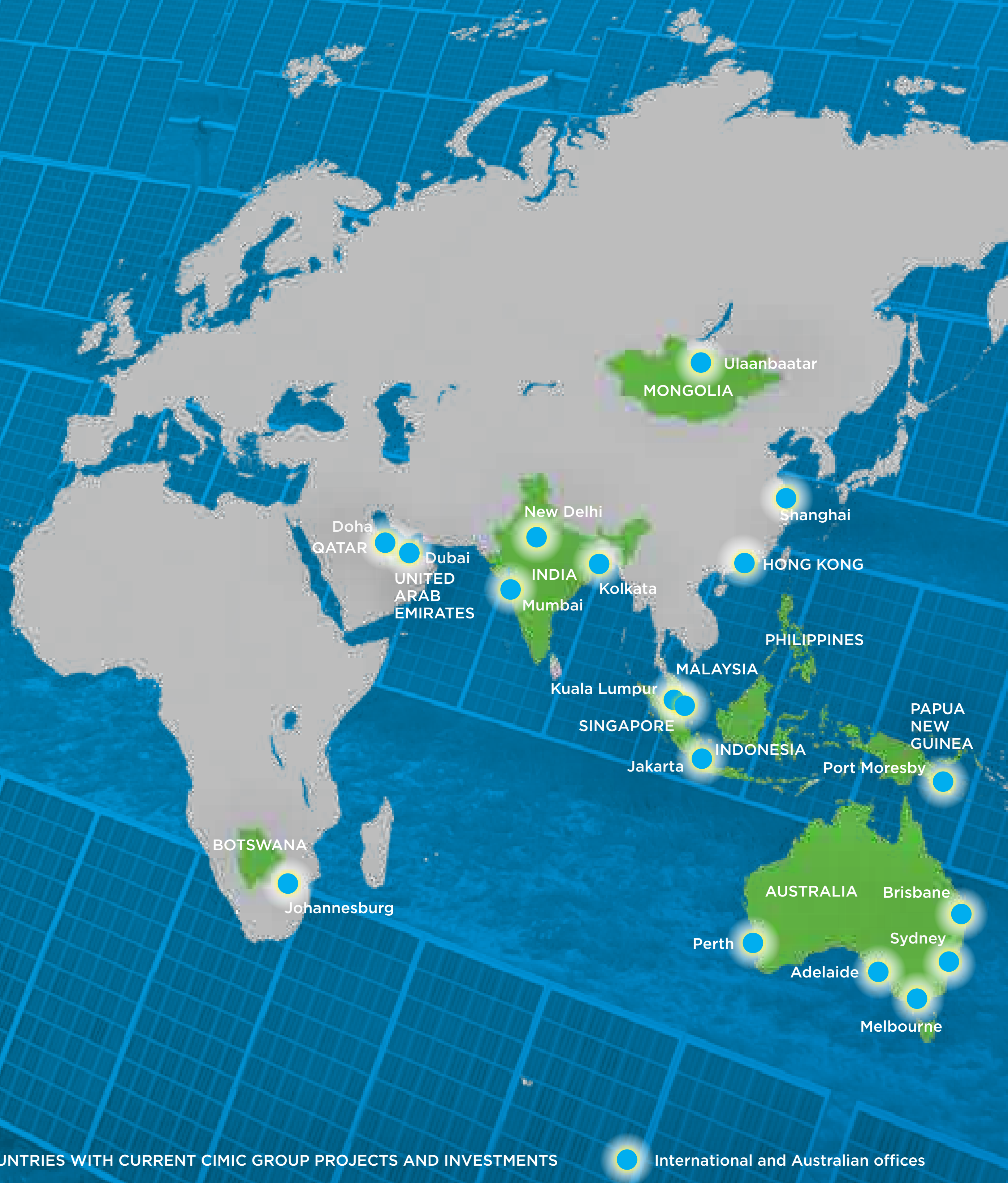


Photo: APA Group's Emu Downs Solar Farm project, Western Australia, UGL.

Our Principles guide our actions

INTEGRITY 〉 ACCOUNTABILITY 〉 INNOVATION 〉 DELIVERY

SAFETY

Our approach to business is summarised in four Principles which guide our actions and act as a common unifying bond across our operations: Integrity, Accountability, Innovation and Delivery. Each of these Principles is underpinned by a continual focus on Safety.

INTEGRITY Being honest and acting with respect for ourselves, our colleagues, our clients, our suppliers and shareholders.

ACCOUNTABILITY Taking responsibility for achieving outcomes and focusing on finding solutions.

INNOVATION Committing to continuous improvement. Through an ability to be self-critical we can find better, more efficient ways of doing things.

DELIVERY Our ability to deliver drives our reputation and credibility.

SAFETY underpins everything we do. The provision of a safe and healthy working environment for all our employees and those under our care is vital.

These Principles pervade every aspect of our operations.

We hold ourselves to a consistently high standard of health and safety wherever we operate, regardless of the regulatory requirements and the operating environment. We are committed to the elimination of fatalities and permanent disabilities, and the systematic reduction of all other injuries.

To achieve our health and safety objectives, we continually focus on strengthening our risk management systems, instilling a strong safety culture and reducing the frequency and severity of our injuries.

Photo: Express Rail Link, West Kowloon Terminus Station North project, Hong Kong, Leighton Asia.

Executive Chairman's review

Dear shareholders,

2017 was a landmark year for CIMIC Group, with the delivery of an outstanding operating performance and improved shareholder returns. We achieved this outcome with a clear focus on excelling for our clients and on building rewarding and safe careers for our people.

In more than 20 countries, across Australia, the Pacific, Asia, and North and South America, our people continued to deliver exceptional projects for our clients in 2017.

From our public private partnership, services and construction operations, through which we are providing major infrastructure and services that transform communities, to our mining and mineral processing operations, that are sustainably delivering many of the world's major commodities, we again demonstrated that we have the expertise and passion to achieve great outcomes.

Focus on innovation

In 2017, we had a strong focus on innovation, making it intertwined in everything we do. Innovation involves asking how we can make a task safer or simpler, and how we can achieve more value by working differently with technical solutions, improved methods and processes.

In March 2017, we launched the CIMIC Group Innovation Awards to promote and recognise innovation within the business, in order to better share our ideas and continually improve. The entries highlighted how our people are solving problems, evolving and developing new ideas, and making improvements in safety and operational delivery.

EIC Activities, our engineering and technical services business, plays a key role in guiding and supporting our companies to invest in innovation. The people in EIC Activities devote a significant part of their time to innovation, an investment which is amplified across our companies, ensuring we stay at the forefront of our industries, offer our clients the best solutions and provide our people with an exciting working environment.

Reflecting this focus, I was pleased that CIMIC Group was the first Australasian company to achieve Kitemark certification for excellence in Building Information Modelling (BIM) in design and construction from the international standards leader, British Standards Institution (BSI). BSI certification is the international benchmark for excellence in digital engineering and project delivery.

> "In more than 20 countries, our 50,000 people delivered exceptional outcomes for our clients in 2017.

Marcelino Fernández Verdes
Executive Chairman

Photo: Transmission Gully PPP, New Zealand, CPB Contractors. Pacific Partnerships is sponsor and equity investor. Ventia to provide operations and maintenance.

Our team

We employ a talented team of more than 50,000 people around the world. Their drive in 2017 was impressive, as we responded to the high level of opportunities in our markets. On behalf of the Board, I would like to publicly thank our people for the tangible difference they made to the communities which rely on the infrastructure, services and commodities we deliver; their exceptional work during the past year should be recognised.

I'm pleased to advise that our operating companies completed 2017 without a fatality; we will continue our unrelenting focus on safety and culture during 2018 and beyond. For more information, please review the safety section of our Sustainability Report.

I would like to welcome Michael Wright, who was appointed as CEO and Managing Director on 1 December 2017 and thank Adolfo Valderas for his contribution to the Company in his various leadership roles, most recently as the CEO and Managing Director. Adolfo played an integral role in achieving the Group's present robust and competitive position, and he remains involved with the Company as an Alternate Director.

Michael has a proven record of achievement and leadership with the Group, and has gained experience across all our disciplines during his 20-year career with us. The Board and I are confident in his ability to guide CIMIC Group on its future path.

I would also like to welcome Kate Spargo, who joined the Board as an Independent Non-Executive Director on 20 September 2017. Kate's background as an independent company director and deep knowledge of the sectors in which CIMIC Group operates, including her highly regarded experience with UGL, makes her a valuable addition to the Board.

Shareholder returns

Demonstrating our focus on sustainable proceeds for shareholders, I am pleased to inform you that we further improved shareholder returns in 2017.

We again reached the top of our profit guidance range, reporting net profit after tax of $702 million, an increase of 21% on 2016. Our strong performance has enabled the Board to declare a 100% franked final dividend of 75 cents per share (anticipated to be $243.2 million in total based on shares on issue as at 31 December 2017) to be paid on 4 July 2018. This represents a full year payout ratio of 62.3% of net profit after tax, consistent with our dividend policy.

CIMIC's share price increased 47.3% during the year, in contrast to the 7% improvement in the S&P/ASX 200 index. Combining the share price appreciation and dividends paid in 2017, we achieved a total shareholder return of 51%.

Thank you

In summary, I am pleased with the Group's strong performance in 2017 and excited about our future. There is an extensive pipeline of new work opportunities ahead for CIMIC Group, providing us with a positive outlook. In 2018, we will maintain our focus on generating sustainable returns for shareholders as we pursue new project opportunities, including public private partnerships.

In closing, I would like to thank you, our shareholders, for your continued support. I look forward to updating you further on our Company's performance at the Annual General Meeting on 13 April 2018.

Sincerely,

Marcelino Fernández Verdes
Executive Chairman

Chief Executive Officer's review

Dear shareholders,

It is both an honour and a privilege to have been appointed as the CEO and Managing Director of CIMIC Group – a company that I have been a part of for 20 years.

Culture, people and safety

Everything we do at CIMIC is predicated on our people. The value we deliver to our clients is only possible because of the expertise and passion of our people. Making sure they return home safely to their families is the most important thing we do.

In 2017 we continued our focus on the elimination of fatalities and the systematic reduction of all other injuries, by further embedding critical safety controls (such as our Safety Essentials) and by constantly challenging our workplace culture.

It is paramount that we keep striving to improve in health, safety and wellbeing, and I was pleased to see again this year the genuine commitment of our leaders and our teams to this goal.

We also maintained our focus on the development of our people, deploying leadership programs across our business, and continuing to develop our award winning graduate program. Our commitment to investing in our employees and providing long-term, rewarding careers was demonstrated by the many internal promotions during the year.

We gave greater attention to diversity and inclusion, rolling out training programs in unconscious bias, equal employment opportunity, discrimination, bullying and harassment, as well as developing workforce reporting to track diversity participation. In 2017, across our operations, we also again proactively addressed the pay gap between men and women.

Since year end we have launched a network to connect our people and attract new employees by promoting our gender equality focus, in particular in the area of encouraging women into non-traditional roles and industries. The network was born out of an initiative of senior women working on one of Australia's biggest projects, who wanted to promote diversity in the traditionally male environment of tunnelling. Today, our concept is broader: to create change and increase diversity by providing opportunities for female employees through networking, development and support across all of our businesses and disciplines.

"I am pleased to report we achieved an outstanding operating performance and have an extensive pipeline of opportunities ahead.

Michael Wright
Chief Executive Officer

Photo: Liantang/Heung Yuen Wai Boundary Control Point, Hong Kong, Leighton Asia.

Performance overview

I am pleased to report that in 2017 we achieved a solid operating performance due to the ongoing efforts of our people. We leveraged our competitive position and favourable market conditions to produce an outstanding result and further diversify work in hand across our core businesses.

We achieved net profit after tax at the top end of our guidance and further strengthened our balance sheet, positioning us well for strategic growth opportunities, including public private partnerships, and sustained shareholder returns.

Highlights of the 2017 result compared with 2016 were:

- Net profit after tax of $702 million, up 21%, at the top end of guidance of $640 million to $700 million
- Revenue[1] of $13.4 billion, up 24%, with solid contributions from all core businesses
- Strong earnings before interest and tax, profit before tax, and net profit after tax margins[2] of 7.5%, 7.1% and 5.2% respectively
- Strong cash flows from operating activities[3] of $1.5 billion, up 27%; and an earnings before interest, tax, depreciation and amortisation cash conversion rate of 101%
- Free operating cash flow[4] of over $1.0 billion, up 12%
- Net cash of $910 million at 31 December 2017, up by more than $500 million.

This was supported by our robust balance sheet and improved investment grade rating, which was upgraded one notch during 2017, by both Standard & Poor's and Moody's Investors Service.

These achievements are due to the exceptional work of our 50,000 people. Their safety is, and always will be, our first priority and this was demonstrated in a 2.6 total recordable injury frequency rate, an improvement from 2016.

Further details on our Company's performance are contained in the Operating and Financial Review section within this Annual Report.

Work won and our outlook

Reflecting the expertise and passion of our people, we secured new work of $18.4 billion during 2017, bringing work in hand to $36 billion.

All of our core businesses contributed to the diversification and growth of work in hand, with an increase of 15% in work in hand in our core businesses of construction, services and mining.

During the period:

- We expanded our leading position in **construction**, winning several large scale infrastructure projects, including CPB Contractors' selection to deliver a new metro railway crossing deep under Sydney Harbour. The $2.81 billion contract (CPB Contractors share is 45%) is to deliver twin 15.5km tunnels and associated civil works on Stage 2 of the Sydney Metro – Australia's biggest public transport project.
- CPB Contractors was also chosen for construction of Victoria's multi-billion dollar West Gate Tunnel, generating revenue of $2.49 billion.
- Leighton Asia is undertaking a major new tunnelling project in Singapore, the Deep Tunnel Sewerage System Phase 2 contract, generating revenue of $470 million.
- Both CPB Contractors and Leighton Asia are undertaking major airport upgrades in Hong Kong and Queensland.

[1] Revenue excludes revenue from joint ventures and associates.

[2] Margins are calculated on revenue which excludes revenue from joint ventures and associates.

[3] Cash flows from operating activities before interest, finance costs, taxes and dividends received.

[4] Free operating cash flow is defined as net cash from operating activities less net capital expenditure for property, plant and equipment.

- We contributed our financial strength and diverse capabilities to the third New Zealand Schools **public private partnership** initiative. Pacific Partnerships and CPB Contractors are undertaking work spanning the design, construction and financing of the project.
- We advanced our position as a leading **services** provider, with UGL extending its operation and maintenance of the Melbourne suburban train network. The contract is providing revenue of approximately $1.9 billion over the initial term. UGL also secured several solar projects across Australia and a utilities upgrade contract in Singapore.
- We achieved growth in **mining and mineral processing**, with Thiess announcing new contracts and extensions in Australia and Indonesia. This included an extension at the Solomon Hub mine in Western Australia to 2020, generating revenue of $650 million, as well as other expansions across its six operating countries.

Our work in hand, combined with our focus on bidding discipline, means we are positioned to achieve net profit after tax in the range of $720 million to $780 million in 2018, subject to market conditions.

There is at least $110 billion of tenders relevant to CIMIC Group to be bid and/or awarded in 2018, and around $285 billion of projects coming to the market in 2019 and beyond, including about $65 billion worth of public private partnership projects. We are in a strong position to benefit from this pipeline. As Marcelino outlined, our focus on innovation is helping us to develop technologies, systems and processes that improve our productivity and the results for our clients and shareholders.

Sustainability

Sustainability is integral to the creation of value. Our approach is about building a reputation as a provider of choice with our clients and shareholders, and creating a positive legacy for our stakeholders and the communities in which we work and live.

Our sustainability performance was recognised in 2017 by the industry leading Dow Jones Sustainability Indices (DJSI), where we were the only construction and engineering company to be included in DJSI's Australia Index. We were recognised as an 'industry best' performer in several categories.

For the second year, we were also included in the FTSE4Good Index which measures the performance of companies demonstrating strong environmental, social and governance practices. The Sustainability Report within this Annual Report sets out our performance across a range of metrics, as well as providing case studies which show how acting sustainably can lead to improved returns for shareholders.

Looking forward

Our focus is to sustain our leading position in infrastructure, mining and services, with particular attention on developing our public private partnership business. We will continue to develop our safety and performance culture and deliver additional client value through collaboration opportunities between our companies.

This includes further embedding our approach to safety, innovation, leadership, governance, project delivery and risk control in all aspects of our operations, and continuing to develop the Group's culture for the benefit of our clients, our shareholders and our people.

Based on our strategic and operational success in 2017 and the extensive pipeline of opportunities in the current year, we expect to continue to drive our business forward in 2018.

I look forward to sharing more about our future plans at the Annual General Meeting later this year. Thank you for your ongoing support and confidence.

Sincerely,

Michael Wright
Chief Executive Officer

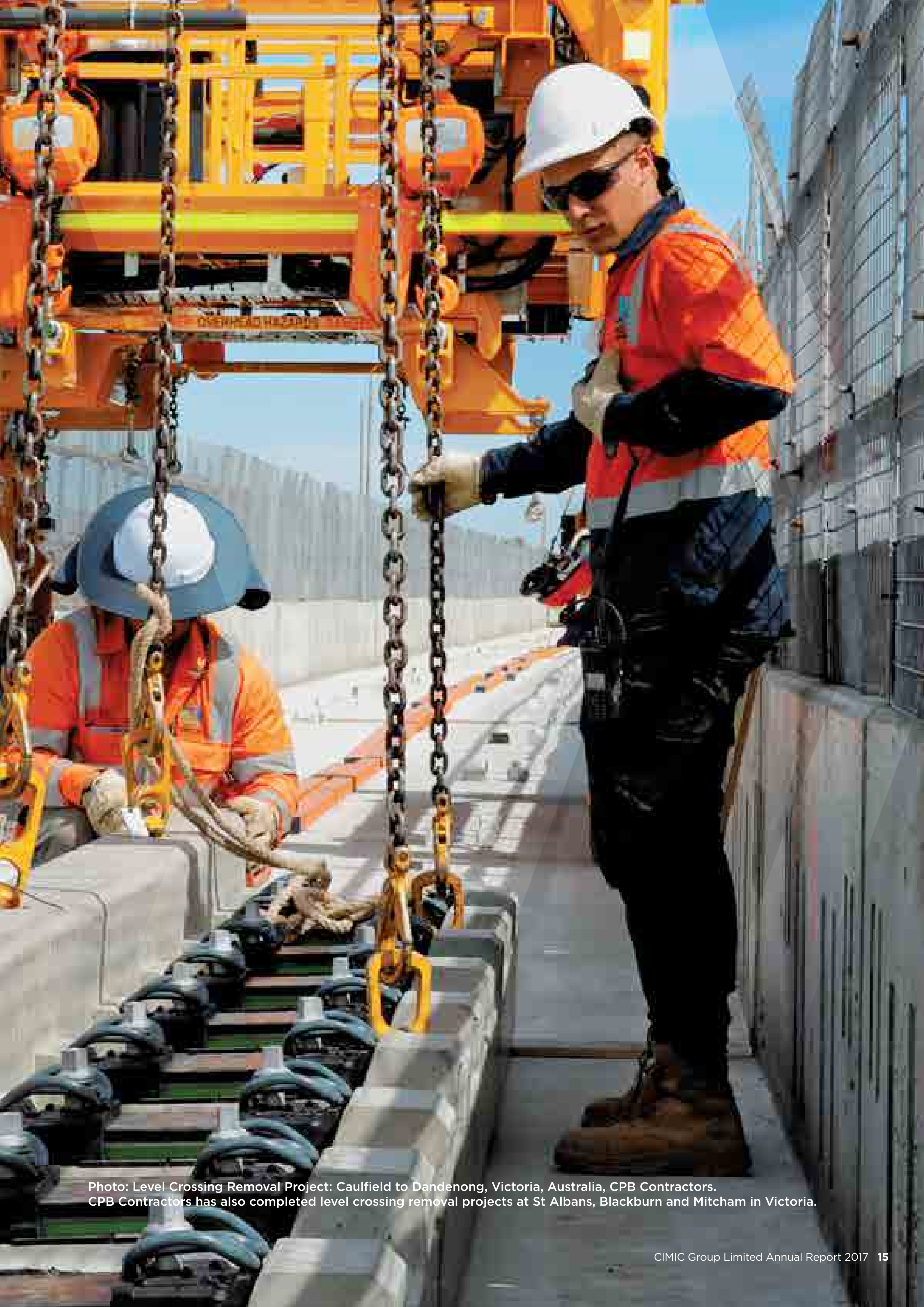


Photo: Level Crossing Removal Project: Caulfield to Dandenong, Victoria, Australia, CPB Contractors.
CPB Contractors has also completed level crossing removal projects at St Albans, Blackburn and Mitcham in Victoria.

2017 CIMIC Group at a glance

$2.81bn

Value of the tunnels and civil contract being delivered by CPB Contractors (in JV) for Sydney Metro Stage 2

93

Power projects delivered by UGL in the past five years, plus a further 10 renewable energy projects

1,580

Passenger rail cars maintained by UGL, with maintenance of a further 1,260 rail cars overseen

27,000

Engineering drawings and models created by Sedgman during 2017

Photo: Kaltim Prima Coal, Sangatta, Indonesia, Thiess.

$3.56bn

Combined value of three major gateway projects* in Hong Kong into China delivered by Leighton Asia

$32bn

Value of the more than 20 PPPs delivered by CIMIC, with the expertise residing in Pacific Partnerships

12,000

EIC Activities' hours devoted to innovation, totalling 10% of its total work hours

$4.2bn

Replacement value of the mobile equipment fleet operated and maintained by Thiess – the largest fleet contractor globally

600t

Weight of the Cat 797 dump truck and the Liebherr T282 each, the largest haul trucks operated by Thiess

$702m

CIMIC's net profit after tax, an increase of 21% on 2016, at the top of guidance

47.3%

CIMIC's share price increase during 2017, in contrast to the 7% improvement in the S&P/ASX 200 index

20Mt

Tonnes of coal processed across Sedgman operational sites during 2017

* $1.16 billion Hong Kong-Zhuhai-Macao Bridge Passenger Clearance Building; $1.2 billion West Kowloon Terminus Station North and $1.2 billion Liantang / Heung Yuen Wai Boundary Control Point project.

THIESS | SEDGMAN

Providing the leading end-to-end offer - from planning to infrastructure to operations and maintenance - for mining and minerals projects globally.

Photo: Lake Vermont coal handling and processing plant upgrade, and ongoing mine operations, Queensland, Australia, Thiess and Sedgman.

Contents

In this Annual Report a reference to 'CIMIC Group', 'we', 'us' or 'our' is a reference to CIMIC Group Limited ABN 57 004 482 982 and certain entities that it controls unless otherwise stated.

The CIMIC Group corporate governance statement is available on our website, in the section titled 'Corporate Governance' (www.cimic.com.au/our-approach/corporate-governance).

Photo: Northern Beaches Hospital, New South Wales, Australia, CPB Contractors.

Directors' Report

Directors' Report

The Directors present their report for the 2017 Financial Year in respect of the Company and certain entities it controlled. This Directors' Report has been prepared in accordance with the requirements of Division 1 of Part 2M.3 of the Corporations Act and is dated 6 February 2018.

DIRECTORS' RESUMÉS

The Directors as at the date of this Directors' Report are:

MARCELINO FERNÁNDEZ VERDES

Executive Chairman
MEng (Civil)
Appointed Executive Chairman in June 2014 having been a Non-executive Director from October 2012 until March 2014.
Mr Fernández Verdes was CEO and Managing Director of the Company from March 2014 until October 2016.

Mr Fernández Verdes studied construction engineering at the University of Barcelona and has held a variety of positions in the construction industry since 1984. In 1997, he became General Manager of ACS Proyectos, Obras y Construcciones, and then took over as Chairman and CEO in 2000. Following the merger between Grupo ACS and Grupo Dragados in 2003, Mr Fernández Verdes took office as Chairman and CEO of Dragados S.A. He served as Chairman and CEO of Construction, Environment and Concessions at ACS Actividades de Construcción y Servicios S.A. from 2006. Mr Fernández Verdes was appointed to the Executive Committee of the ACS Group in 2000, and as Chairman and CEO of ACS Servicios y Concesiones, S.L. in 2006. He was appointed the Chief Executive Officer of ACS, Actividades de Construcción y Servicios, S.A. on 11 May 2017. Mr Fernández Verdes has been a member of the Executive Board of HOCHTIEF AG in Essen since April 2012. In November 2012, he was appointed Chairman of the Executive Board of HOCHTIEF AG and assumed responsibility for the HOCHTIEF Asia Pacific division.

MICHAEL WRIGHT

Chief Executive Officer and Managing Director
MEngSc, BEng (Civil), FIEAust
Appointed CEO and Managing Director on 1 December 2017.

Mr Wright is a highly regarded leader with experience across multidisciplinary projects in Australia, Asia, Africa and the Americas. With more than 25 years' experience across the mining, construction and services sectors, and almost 20 years with the CIMIC Group, he has held various senior executive positions, his last being Deputy CEO of CIMIC. Prior to that, Mr Wright held the position of Thiess Managing Director, as well as the role of Group Executive Mining and Mineral Processing for CIMIC, with oversight of both Thiess and Sedgman. Prior roles included Executive General Manager for Thiess' Australian Mining, Executive General Manager of Thiess' Services business, General Manager of Leighton Asia's China and Mongolia operations, and General Manager for Silcar, a joint venture between Thiess and Siemens.

Mr Wright serves as a Director of the Minerals Council of Australia, the Sustainable Minerals Institute and the Queensland Male Champions of Change. He is also a Fellow of the Institute of Engineers Australia.

RUSSELL CHENU

Independent Non-executive Director
BCom, MBA, CPA
Appointed Independent Non-executive Director in June 2014.
Chairman of the Audit and Risk Committee. Member of the Ethics, Compliance and Sustainability Committee and the Remuneration and Nomination Committee.

Mr Chenu has a Bachelor of Commerce from the University of Melbourne and an MBA from the Macquarie Graduate School of Management. Mr Chenu is an experienced corporate and finance professional who previously held senior finance and management positions with a number of ASX-listed companies. In a number of these senior roles, he was engaged in significant strategic business planning and business change, including several turnarounds, new market expansions and management leadership initiatives.

Mr Chenu was CFO of James Hardie Industries plc from 2004 to 2013. As CFO, he was responsible for accounting, treasury, taxation, corporate finance, information technology and systems, and procurement.

Mr Chenu is a Director of the following additional ASX-listed entities: Metro Performance Glass Limited (since July 2014), James Hardie Industries plc (since August 2014) and Reliance Worldwide Corporation Limited (since April 2016).

JOSÉ-LUIS DEL VALLE PÉREZ

Non-executive Director
LLB
Appointed Non-executive Director in March 2014.
Member of the Ethics, Compliance and Sustainability Committee and the Remuneration and Nomination Committee.

Mr del Valle Pérez completed a degree in Law from the University Complutense of Madrid in 1971 and, since 1974, has been Abogado del Estado de España (State Attorney of Spain). He has been a Member of the Bar Association of Madrid since 1976. As Spanish State Attorney he performed his duties in the Delegations of the Ministry of Finance and the Courts of Justice of Burgos and of Toledo, and in the Legal Departments of the Ministry of Health and of the Ministry of Labour and Social Security. Mr del Valle Pérez was previously a Director of the legal department of the political party UCD (from 1977 to 1981) and a Member of the Parliament (Congreso de los Diputados) of Spain (from 1979 to 1982). He was also Deputy Minister for Territorial Administration from 1981 to 1982. Since 1983 Mr del Valle Pérez has been a Director of and/or legal advisor to many Spanish companies, including Banesto (merged with Banco Santander), Continental Industrias del Caucho (a subsidiary of Continental AG), Fococafé and Continental Hispánica (a subsidiary of Continental Grain Inc).

Mr del Valle Pérez is a member and Board Secretary of ACS Group and a number of its subsidiaries, and is currently a member of the Supervisory Board of HOCHTIEF AG.

TREVOR GERBER

Independent Non-executive Director
BAcc, CA, SA
Appointed Independent Non-executive Director in June 2014.
Chairman of the Remuneration and Nomination Committee. Member of the Audit and Risk Committee and the Ethics, Compliance and Sustainability Committee.

Mr Gerber was an executive at Westfield Holdings Limited until 1999. During his 14 year career at Westfield, Mr Gerber's roles included Group Treasurer and Director of Funds Management responsible for Westfield Trust and Westfield America Trust. Mr Gerber has been a professional director since 2000. His board experience has been varied and includes property, funds management, hotels/tourism, infrastructure, aquaculture and aged care.

Mr Gerber is a Director of the following additional ASX listed entities: Sydney Airport Limited (Chairman since May 2015 and a Director since April 2002), Tassal Group Limited (since April 2012) and Vicinity Centres Limited (since April 2014). He was a director of Regis Healthcare Limited (since October 2014 to 1 November 2017).

PEDRO LÓPEZ JIMÉNEZ

Non-executive Director
MEng (Civil), MBA
Appointed Non-executive Director in March 2014.
Member of the Ethics, Compliance and Sustainability Committee and the Remuneration and Nomination Committee.

Mr López Jiménez has a degree in civil engineering and an MBA from IESE Business School, Madrid. He has been awarded the Grand Cross of Isabel La Católica.

During his career Mr López Jiménez has held the following positions: General Director of Ports for the Ministry of Public Works (Spain), Secretary of State of Urban Affairs and Public Works (Spain), Board Member of Instituto Nacional de Industria (State owned holding company), Manager of the Thermal Plant Constructions in Hidroelectrica Española, CEO of Empresarios Agrupados (thermal and nuclear plants engineering and construction management), Chairman and CEO of Endesa S.A., Board Member of Unión Eléctrica S.A. and Empresa Nacional Hidroelectrica de la Ribagorçana, Chairman of Unión Fenosa S.A., Vice Chairman of Indra Sistemas S.A., Board Member of Compañía Española de Petróleos S.A.U., Board Member of ENCE S.A., Board Member of Keller Group plc, and Chairman of Gtceisu Construcción S.A. Additionally, he was the founder of CEOE (Confederation of Spanish Industries), Member of its first Executive Committee, founder and first Chairman of FEIE (Federation of Spanish Utility Companies), Board Member of Club Español de Energía (Spanish Energy Association) and Board Member of the Alcala University.

Mr López Jiménez is currently Deputy VC/Chair of Dragados S.A., Deputy VC/Chair of ACS Services y Concesiones S.A., VC/Chair ACS Servicios Communicaniones y Energia S.A., Vice-Chairman of the Executive Committee of ACS Group, Chair of Supervisory Board of HOCHTIEF AG, Board Member of the Malaga Picasso Museum and Vice Chairman of the Royal Board of the National Library of Spain.

Mr López Jiménez is currently the 1st Vice-Chairman of the European Club Association (E.C.A) and Vice Chairman of the Real Madrid Football Club.

DAVID ROBINSON

Non-executive Director
MCom, BEc, FCA, CTA
Appointed Non-executive Director in December 1990.
Chairman of the Ethics, Compliance and Sustainability Committee until 31 October 2017 and currently a member of the Committee.
Previously an Alternate Director for Mr López Jiménez (from June 2014 to 31 October 2017) and Mr Peter Sassenfeld (from November 2011 to June 2013).

Mr Robinson is a graduate of the University of Sydney and a registered company auditor and tax agent. He is a chartered accountant and Partner of ESV Accounting and Business Advisors, which advises local and overseas companies with interests in Australia. Mr Robinson participates in construction industry affairs. Mr Robinson is a Director of Catholic Schools NSW Limited. Until 31 December 2017, he was a Trustee of Mary Aikenhead Ministries, the responsible entity for the health, aged care and education works of the Sisters of Charity in Australia. Mr Robinson is a Director of HOCHTIEF Australia and was a former Director of Leighton Properties from May 2000 to August 2012.

Mr Robinson is the Chairman of the following additional ASX listed entity: Devine Limited (Chairman since January 2016 and a Director since May 2015).

PETER-WILHELM SASSENFELD

Non-executive Director
MBA
Appointed Non-executive Director in November 2011.
Member of the Audit and Risk Committee.

Mr Sassenfeld has an MBA from the University of Saarland.

Mr Sassenfeld was appointed as the CFO of HOCHTIEF AG in November 2011 and is a Director of HOCHTIEF Australia. Prior to this role he was the CFO of Ferrostaal AG. Mr Sassenfeld has previously worked as the CFO of Krauss Maffei AG and in senior finance roles at Bayer AG and the Mannesmann Group.

KATHRYN SPARGO

Independent Non-executive Director
LLB (Hons), BA, FAICD
Appointed Non-executive Director in September 2017.
Appointed Chairman of the Ethics, Compliance and Sustainability Committee effective 1 November 2017.

Ms Spargo holds a Bachelor of Law with Honours and an Arts degree from the University of Adelaide. Ms Spargo is a fellow of the Australian Institute of Company Directors.

Ms Spargo has broad commercial experience, both in advisory roles (having worked in legal practice in the public and private sectors), and as a director of listed and unlisted companies.

Ms Spargo is a Director of the following additional ASX listed companies: Xenith IP Ltd (since April 2017), Sigma Healthcare Limited (since December 2015), Sonic Healthcare Limited (since July 2010) and Adairs Limited (since May 2015). She is also a director of the Geelong Football Club and Coinvest Ltd. Ms Spargo's previous Board positions include Chairman of UGL, as well as directorships at Fulton Hogan, SMEC Holdings, Fletcher Building, Pacific Hydro, Suncorp Portfolio Services, IOOF, Investec Bank, and Transfield Services Infrastructure Fund.

ALTERNATE DIRECTORS' RESUMÉS

ÁNGEL MURIEL

Alternate Director
PhD in Applied Economics
Appointed Alternate Director for Mr Sassenfeld on 1 November 2017.

From 2002 to 2006 Mr Muriel was the CFO of Iridium in Chile. He then went on to work in North America until 2011, where he was the CFO of ACS Infrastructure Development Inc., the ACS Group's PPP operations, in North America.

In 2011 Mr Muriel was the CFO of Iridium Concesiones de Infraestructuras, S.A., in Madrid, Spain, the concession-arm of ACS Group, and in 2012 he became Head of Corporate Mergers and Acquisitions at HOCHTIEF, in Essen, Germany, until April 2014 when he joined CIMIC Group, in Sydney, Australia, as Chief Development Officer and Managing Director of Pacific Partnerships. In addition to these roles, from June 2015 to May 2017, Mr Muriel was CIMIC Group's Chief Financial Officer.

Since June 2017, Mr Muriel has a senior role at the ACS Corporation Headquarters in Madrid, Spain.

ROBERT SEIDLER AM

Alternate Director
LLB
Appointed Alternate Director for Mr del Valle Pérez in June 2014. Previously an Alternate Director for Mr Sassenfeld (from June 2014 to 31 October 2017). Mr Seidler AM has served as an Alternate Director for a number of HOCHTIEF-nominated directors dating back to November 2003.

He has a degree in Law from the University of Sydney and is a former partner of Blake Dawson (now Ashurst).

Mr Seidler AM has over 40 years' experience as a lawyer, non-executive director on listed and unlisted companies in industries as diverse as funds management, banking, investment banking, hotel management as well as serving on government committees in both Australia and Japan.

Mr Seidler AM is the Vice President of the Australia Japan Business Cooperation Committee, Chairman of Hunter Philip Japan Limited and is the New South Wales Government's Special Envoy to Japan. Mr Seidler AM has also been made a member of the Order of the Rising Sun by the Emperor of Japan.

Mr Seidler AM was appointed as a Director of HOCHTIEF Australia in November 2011 and is a Director of Investa Office Management since June 2016 and Investa Listed Funds Management Limited since April 2016. He was the Chairman of Leighton Asia (from November 2011 to September 2012) and a Director of Leighton Properties (from May 2010 to August 2012) and Leighton International (from November 2009 to November 2011).

ADOLFO VALDERAS

Alternate Director
MEng (Civil), MBA
Appointed Alternate Director for Mr López Jiménez on 1 November 2017.

Mr Valderas was previously CEO and Managing Director of the Company up until 30 November 2017. Mr Valderas is a civil engineer and has significant experience in managing complex, multinational operations and projects across Australia, Europe, the United States, Canada, South America and China. Mr Valderas has direct experience in delivering projects in high speed rail, road and bridges, water treatment, construction, services, operations, maintenance and PPPs. He is currently the CEO of Dragados and was formerly the Chairman and CEO of Iridium Concesiones de Infraestructuras (Iridium), a role he held from 2010 to 2013. Iridium is an ACS Group company responsible for developing and managing all types of government concessions involving transport and public works infrastructure. Between 2000 and 2010, Mr Valderas held roles with Dragados, most recently as Deputy International Manager. Prior to 2000, he held a variety of positions within the construction industry.

COMPANY SECRETARIES' RESUMÉS

LOUISE GRIFFITHS

Company Secretary
BSc, BA, AGIA

Appointed Company Secretary in January 2016. Ms Griffiths was formerly the Assistant Company Secretary of the Company, having held that role since May 2011. Ms Griffiths has a Bachelor of Science in Criminology and a Bachelor of Arts in Community Justice. She is an Associate of the Governance Institute of Australia (GIA) and holds a Graduate Diploma in Applied Corporate Governance from the GIA. Ms Griffiths served as a member of the GIA's New South Wales Professional Development Committee between February 2013 and September 2014. Ms Griffiths is also the company secretary of a number of subsidiaries of CIMIC.

LYN NIKOLOPOULOS

Company Secretary
BBus, FGIA

Appointed Company Secretary in June 2017. Prior to the CIMIC appointment, Ms Nikolopoulos was Company Secretary of UGL since October 2006. Ms Nikolopoulos has a Bachelor of Business from the University of Technology Sydney and holds a Graduate Diploma in Applied Corporate Governance from the GIA. She is a fellow of the GIA and has over 17 years' experience in a company secretary role. Ms Nikolopoulos is also the company secretary of a number of subsidiaries of CIMIC.

During the period, Nigel Lowry resigned as a company secretary on 21 July 2017.

BOARD MEETINGS

The number of Board and Board Committee meetings held, and the number of meetings attended by each Director, during the 2017 Financial Year are set out in the table below.

	Board		Audit and Risk Committee		Ethics, Compliance & Sustainability Committee		Remuneration & Nomination Committee		Board Sub-Committee#	
	H	A	H	A	H	A	H	A	H	A
Directors										
M Fernández Verdes	6	5	-	4+	-	4+	-	4+	2	1
A Valderas[1]	6	6	-	4+	-	4+	-	4+	-	-
M Wright[2]	-	-	-	-	-	-	-	-	-	-
R Chenu	6	6	4	4	4	4	4	4	2	2
J L del Valle Pérez	6	6	-	4+	4	4	4	4	-	-
T Gerber	6	4	4	4	4	4	4	4	-	-
P Lopéz Jiménez	6	6	-	4+	4	4	4	4	-	-
D Robinson[3]	6	6	-	4+	4	4	-	4+	2	2
P Sassenfeld	6	5	4	3	-	-	-	1+	-	-
K Spargo[4]	1	-	-	-	1	-	-	-	-	-
Alternate Director										
Á Muriel[5]	-	-	-	-	-	-	-	-	-	-
R Seidler AM[6]	-	5*	-	4*	-	4*	-	4*	-	2*
A Valderas[7]	-	-	-	-	-	-	-	-	-	-

H The number of meetings held during the period the Director/Alternate Director/Former Director was a member of the Board and/or Committee.

A The number of meetings attended by the Director during the period the Director/Alternate Director/Former Director was a member of the Board and/or Committee.

\# Matters delegated to a sub-committee of the Board.

* The number of meetings attended by the Alternate Director in his capacity as an Alternate Director or as a standing invitee.

\+ The number of meetings attended by the Director as a standing invitee of the Committee.

1 Mr Valderas ceased to be CEO and Managing Director on 30 November 2017. Attendance reflects his capacity as CEO and Managing Director over the period. Refer to note 6 below.

2 Mr Wright was appointed as CEO and Managing Director on 1 December 2017. No meetings were held after his appointment.

3 Mr Robinson ceased to be Chair of the Ethics, Compliance and Sustainability Committee on 31 October 2017 and resigned as an Alternate Director for Mr López Jiménez on 31 October 2017. Mr Robinson remains as a member of the Ethics, Compliance and Sustainability Committee and as a Director of the Board.

4 Ms Spargo was appointed to the Board on 20 September 2017 and was appointed the Chair of Ethics, Compliance and Sustainability Committee effective 1 November 2017.

5 Mr Muriel was appointed as an Alternate Director for Mr Sassenfeld effective 1 November 2017.

6 Mr Seidler ceased to be an Alternate Director for Mr Sassenfeld effective 31 October 2017. He is currently an Alternate Director for Mr del Valle Pérez.

7 Mr Valderas was appointed as an Alternate Director for Mr López Jiménez effective 1 November 2017.

In addition to scheduled meetings, briefing sessions were held for Directors on various issues during the year. Where required, the Board and its Committees also considered matters out of scheduled meetings.

DIRECTOR AND SENIOR EXECUTIVE REMUNERATION

Details of the Company's remuneration policy and remuneration paid to the Group's KMP are detailed in the Remuneration Report within this Annual Report.

DIRECTORS' INTERESTS

Details of the Directors' relevant interests in the issued capital of the Company and its related body corporates as at the date of this Directors' Report are listed in the table below.

Name	Relevant interests in CIMIC			Relevant interests in ACS and/or HOCHTIEF AG		
	Ordinary shares	Options over shares	Rights over shares	Ordinary shares	Options over shares	Rights over shares
Directors						
M Fernández Verdes	2,745[1]	-	-	619 (ACS) 822,369 (ACS)* 12,931 (HOCHTIEF AG)	-	-
M Wright	-	-	-	-	-	-
R Chenu	4,085	-	-	-	-	-
J L del Valle Pérez	1,000[1]	-	-	278,902 (ACS)	-	-
T Gerber	2,000	-	-	-	-	-
P López Jiménez	1,192[1]	-	-	524,936 (ACS)~	-	-
D Robinson	1,489	-	-	-	-	-
P Sassenfeld	1,858[1]	-	-	9,186 (HOCHTIEF AG)	-	-
K Spargo	2,000	-	-	-	-	-
Alternate Directors						
Á Muriel	14,991	36,377	-	-	-	-
R Seidler AM	2,341	-	-	900 (ACS)	-	-
A Valderas	31,863	62,768	-	1,504 (ACS)	-	-

1 These shares are held by the relevant director on trust for HOCHTIEF Australia.
* These shares are held by Gesguiver, S.L. (a closely related party to Mr Fernández Verdes).
~ These shares are held by Fapin Mobi, S.L. (a closely related party to Mr López Jiménez).
No Director held a relevant interest in Devine.

CEO AND CFO DECLARATION

The CEO and CFO have provided a declaration to the Board concerning the Group's financial records, financial statements and notes in respect of the 2017 Financial Year in accordance with section 295A of the Corporations Act.

ENVIRONMENTAL REGULATION

Under section 299(1)(f) of the Corporations Act, an entity is required to provide a summary of its environmental performance in terms of compliance with Australian environmental regulations.

Within Australia, the Company is required to report under the NGER Scheme. In addition, the Operating Companies are subject to project specific regulations across the various jurisdictions in which they operate. Failure to comply with these corporate and project specific requirements may result in penalties such as remediation of damage, court injunctions, and criminal and civil penalties.

To assist the Board in discharging its responsibilities the Company has adopted a governance framework which provides for:

- the delegation of accountability for achieving compliance with regulatory requirements (and other requirements) to the most appropriate person or group within the organisation; and
- an assurance and reporting process for the evaluation and oversight of compliance with these requirements to the Board.

In the 2017 Financial Year:

- the Company submitted its NGER Scheme report with EY (formerly known as Ernst and Young) (our NGER Scheme external auditor) providing limited assurance; and
- across the 157.8 million hours worked on projects there were no material breaches of legislation or conditions of approval (ie, those resulting in prosecution, significant financial penalties or contractual action against the Company, executive officers or individuals). However, there were 15 breaches which involved written warnings from environmental regulators and four fines totalling $38,200, the detail of which is set out in the Sustainability Report.

For further information regarding the Company's environmental governance, management approach and performance (which expands beyond compliance), please refer to the Sustainability Report within this Annual Report.

UNISSUED SHARES

SHARE RIGHTS

As at the date of this Directors' Report, there are no rights over unissued shares in the Company.

The following rights were issued in the past in accordance with our employee incentive schemes:

	Classes of Rights				
	2012 Deferred Rights	**2013 Deferred Rights**	**2014 Deferred Rights**	**2013 Performance Rights**	**2014 Performance Rights**
Number of participants at date of grant	91	82	35	99	88
Date of grant	1 Jan 2012 – 1 Jan 2013	3 May 2013 – 1 Jan 2014	31 Oct 2014 – 1 Jan 2015	1 Jan 2013	1 Jan 2014
Date of performance period end	5 Sep 2012 – 31 Dec 2017	31 Dec 2014 – 1 Jan 2017	31 Dec 2014 – 1 Jul 2017	31 Dec 2015	31 Dec 2016
Number of rights					
Original grant	1,004,925	321,987	119,990	705,426	704,802
On issue 8 Feb 2017[1]	2,503	-	6,279	-	334,985
Vested since 8 Feb 2017	(2,503)	-	(6,279)	-	(165,376)
Lapsed since 8 Feb 2017	-	-	-	-	(169,609)
On issue 6 Feb 2018[2]	-	-	-	-	-

1 Date of the Directors' Report contained in the 2016 CIMIC Annual Report.
2 Date of this Directors' Report.

OPTIONS

There was no LTI grant in the 2017 Financial Year.

As at the date of this Directors' Report, there are 311,088 options over unissued shares in the Company. These options were granted under the LTI plan and were made to eligible Senior Executives in February 2016 as their 2015 LTI (2015 options), the details of which are set out below:

2015 options	
Number of participants at date of grant	36
Date of grant	29 October 2015
Exercise price	$27.53
Expiry date	29 October 2020
Number of options	
Original number issued	735,636
On issue 8 Feb 2017[1]	552,231
Lapsed since 8 Feb 2017	(49,861)
Vested since 8 Feb 2017	502,370
Exercised since 8 Feb 2017	(191,282)
On issue 6 Feb 2018[2]	**311,088**

1 Date of the Directors' Report contained in the 2016 CIMIC Annual Report.
2 Date of this Directors' Report.

On vesting, these rights and options may be satisfied through the issue of ordinary shares in the Company or the allocation of ordinary shares in the Company acquired on-market. During the 2017 Financial Year, 91,777 ordinary shares were acquired on-market at an average price of $36.67 per share. Holders of these rights and options receive no voting rights and are not entitled to participate in any share or rights issue made by the Company.

Refer to the Remuneration Report for summaries of our STI, LTI and option plans and 'Note 36: *Employee benefits*' to the Financial Report within this Annual Report for further details. Refer to the Shareholdings section of this Annual Report for details regarding the distribution of holdings of STI rights, LTI rights and options.

AUDIT

The declaration by the Group's external auditor, Deloitte, to the Directors in relation to the auditor's compliance with the independence requirements of the Corporations Act, and any applicable code of professional conduct for external auditors, is set out in the section of this Directors' Report titled 'Lead Auditor's independence declaration under section 307C of the Corporations Act'.

No person who was an officer of the Company during the 2017 Financial Year was a director or partner of the Group's external auditor at a time the Group's external auditor conducted the audit.

INDEMNITY FOR GROUP OFFICERS AND AUDITORS

CONSTITUTION

The Constitution includes indemnities in favour of people who are, or have been, an 'Officer' of the Company. 'Officer' is defined in the Constitution as any director, alternate director, managing director, executive director or secretary of the Company or related bodies corporate.

The Constitution states that, to the extent permitted by law, the Company indemnifies every person who is or has been an Officer, against all losses, liabilities, costs, charges and expenses incurred while acting in that capacity.

DIRECTORS' DEED OF INDEMNITY

The Company has entered into deeds of indemnity, insurance and access with its current and former Directors. Under each director's deed, the Company indemnifies the Director to the extent permitted by law against any liability (including liability for legal defence costs) incurred by the Director as an Officer or former Officer of the Company or any Operating Company, or while acting at the request of the Company or any Operating Company as an Officer of a non-controlled entity.

DEEDS OF INDEMNITY FOR CERTAIN OFFICERS AND EMPLOYEES

The Company has entered into deeds of indemnity with particular Officers, employees or former Officers and employees of the Company and Operating Companies. These deeds of indemnity give indemnities in favour of those Officers, employees or former Officers and employees in respect of liabilities incurred by them while acting in their applicable capacities in the Company or any Operating Company, or while acting at the request of the Company or any Operating Company as an Officer or employee of a non-controlled entity.

The Officers and employees who have the benefit of a deed of indemnity are, or were at the time:

- a Director, Secretary, General Counsel or an executive (in a role that has been approved by the CEO, CFO or Company Secretary) of the Company, an Operating Company or a subsidiary of an Operating Company; or
- a Director, Company Secretary or an executive (in a role that has been approved by the CEO, CFO or Company Secretary) of a non-controlled entity at the request of the Company or an Operating Company.

INSURANCE FOR GROUP OFFICERS

During and since the end of the 2017 Financial Year, the Company has paid or agreed to pay premiums in respect of contracts insuring persons who are or have been an Officer against certain liabilities (including legal costs) incurred in that capacity.

Under the directors' deeds and the deeds of indemnity described above, the Company has undertaken to the relevant Officer, employee or former Officer or employee that it will insure the Officer or employee against certain liabilities incurred in their applicable capacity in the Company or any Subsidiary or as an Officer or employee of a non-controlled entity where the position is, or was, held at the request of the Company or any Subsidiary.

The insurance contracts entered into by the Company prohibit disclosure of the specific nature of the liabilities covered by the insurance contracts and the amount of the premiums.

NON-AUDIT SERVICES

Details of the amounts paid or payable to our external auditor, Deloitte, for non-audit services provided during the 2017 Financial Year to entities within the Group are set out in the table below.

The Board has considered the position and, in accordance with the advice received from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the 2017 Financial Year is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The Board is satisfied that the provision of non-audit services by Deloitte, as set out in the following table, did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

- all non-audit services were reviewed by the Audit and Risk Committee and the Committee believes that they do not impact the impartiality and objectivity of Deloitte because of the nature of the services provided during the 2017 Financial Year and the quantum of the fees which relate to non-audit services compared with the overall fees;
- the Directors believe that none of the services undermine the general principles relating to auditor independence, including reviewing or auditing Deloitte's own work, acting in a management or decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risk and rewards; and
- these assignments were carried out in accordance with the External Auditor Independence Charter.

The non-audit services supplied to entities within the Group by Deloitte and the amount paid or payable by type of non-audit service during the 2017 Financial Year were as follows:

Non-audit services	**Amount paid/payable $'000**
Other assurance services	366.4
Taxation and other services	-
Total	**366.4**

ROUNDING OF AMOUNTS

As the Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the Directors have chosen to round amounts in this Directors' Report and the accompanying Financial Report to the nearest hundred thousand dollars, unless otherwise indicated.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of CIMIC Group Limited.

As lead audit partner for the audit of the annual financial report of CIMIC Group Limited for the financial year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

J A Leotta
Partner
Chartered Accountants

Sydney, 6 February 2018

Operating and Financial Review

A leading international construction contractor delivering road, rail, tunnelling, defence, building and resources infrastructure projects.

Photo: WestConnex M4 Widening, New South Wales, Australia, CPB Contractors. CPB Contractors is also delivering WestConnex M4 East and the New M5.

FINANCIAL HIGHLIGHTS

OPERATING PERFORMANCE

- Revenue of $13.4 billion up 23.7% on FY16 with solid contributions from all core businesses.
- EBITDA of $1,513.7 million up 38.1% on FY16; PBT of $959.2 million up 29.6% on FY16.
- NPAT of $702.1 million up 21.0% on FY16, at the top end of guidance range of $640 million to $700 million.
- Strong EBIT, PBT and NPAT margins of 7.5%, 7.1% and 5.2% respectively.
- EPS (basic) of 216.5 cents per share up 22.6%.
- No significant one off impacts.

CASH FLOWS

- Strong cash flows from operating activities of $1,523.4 million in FY17, up 26.8% on FY16.
- EBITDA conversion rate of 101% for FY17.
- Maintained focus on managing working capital and generating sustainable cash-backed profits.
- Gross capital expenditure of $424.1 million, up 51.4% on FY16, due to increased mining and tunnelling activity.
- Free operating cash flow generation of $1,056.9 million in FY17, up 11.9% on FY16.

FINANCIAL POSITION

- Net cash of $910.4 million up $501.1 million since December 2016.
- Successfully refinanced and expanded $2.6 billion syndicated bank facility reflecting strength of balance sheet.
- Net contract debtors of $1.4 billion, similar level as December 2016. The $675.0 million contract debtors portfolio provision remains unchanged.
- Moody's Investors Service rating upgraded to Baa2 from Baa3 and Standard & Poor's rating upgraded to BBB from BBB-, both earlier in 2017.
- Average cost of debt has decreased 140 basis points since FY16 to 4.1%.

WORK IN HAND AND PIPELINE

- Solid work in hand of $36.0 billion, up $2.0 billion on FY16, equivalent to more than two years of revenue.
- New work of $18.4 billion awarded in FY17, up 36.7% on FY16, bidding discipline maintained.
- Robust pipeline with at least $110 billion of tenders relevant to CIMIC to be bid and/or awarded in 2018, and around $285 billion of projects are coming to the market in 2019 and beyond, including about $65 billion worth of PPP projects.

SHAREHOLDER RETURNS

- Share price of $51.45 at 31 December 2017, up 47.3% in FY17, compared to an increase in the S&P/ASX 200 index of 7.0%.
- Final dividend of 75 cents per share, 100% franked, up 21.0% on FY16, to be paid on 4 July 2018.
- Total dividend for the year of 135 cents per share, 100% franked, up 22.7% on FY16, representing a payout ratio of 62.3%.
- Total shareholder return of 51%, combining the share price appreciation and dividends paid in FY17.

GUIDANCE

- FY18 NPAT is expected to be in the range of $720 million to $780 million, an increase of 3% to 11% on FY17, subject to market conditions.
- Sound balance sheet provides flexibility to pursue strategic growth opportunities and sustain shareholder returns.
- Continue to develop safety and performance culture and deliver additional client value through leveraging collaboration opportunities.

FINANCIAL HIGHLIGHTS

Financial performance $m	2017	2016	chg. $	chg. %
Group revenue	16,110.7	13,534.5	2,576.2	19.0%
Revenue – joint ventures and associates	(2,681.2)	(2,680.9)	(0.3)	-
Revenue[1]	**13,429.5**	**10,853.6**	**2,575.9**	**23.7%**
EBITDA	**1,513.7**	**1,095.8**	**417.9**	**38.1%**
EBITDA margin[2]	11.3%	10.1%	120bp	
EBIT	**1,002.4**	**758.4**	**244.0**	**32.2%**
EBIT margin[2]	7.5%	7.0%	50bp	
Profit before tax	**959.2**	**740.4**	**218.8**	**29.6%**
PBT margin[2]	7.1%	6.8%	30bp	
NPAT	**702.1**	**580.3**	**121.8**	**21.0%**
NPAT margin[2]	5.2%	5.3%	(10)bp	
EPS (basic)	216.5c	176.6c	39.9c	22.6%

Financial position $m	December 2017	December 2016[3]	chg. $	chg. %
Net cash/(debt)	**910.4**	**409.3**	**501.1**	**122.4%**
Operating leases	(538.6)	(466.9)	(71.7)	15.4%
Net cash/(debt) (including operating leases)	371.8	(57.6)	429.4	(745.5)%
Net contract debtors[4]	**1,383.8**	**1,324.6**	**59.2**	**4.5%**

Cash flows $m	2017	2016	chg. $	chg. %
Cash flows from operating activities[5]	**1,523.4**	**1,201.4**	**322.0**	**26.8%**
Interest, finance costs, taxes and dividends received	(161.0)	(74.4)	(86.6)	116.4%
Net cash from operating activities[6]	**1,362.4**	**1,127.0**	**235.4**	**20.9%**
Gross capital expenditure[7]	(424.1)	(280.2)	(143.9)	51.4%
Gross capital proceeds[8]	118.6	97.8	20.8	21.3%
Net capital expenditure	**(305.5)**	**(182.4)**	**(123.1)**	**67.5%**
Free operating cash flow[9]	**1,056.9**	**944.6**	**112.3**	**11.9%**

Work in hand[10] $m	December 2017	December 2016	chg. $	chg. %
Work in hand beginning of period	34,012.0	29,004.4	5,007.6	17.3%
New work[11]	18,369.5	13,433.1	4,936.4	36.7%
Acquisitions / (divestments)[12]	(260.9)	5,109.0	(5,369.9)	(105.1)%
Executed work	(16,110.7)	(13,534.5)	(2,576.2)	19.0%
Total work in hand end of period	**36,009.9**	**34,012.0**	**1,997.9**	**5.9%**

[1] Revenue excludes revenue from joint ventures and associates of $2,681.2 million (FY16: $2,680.9 million).
[2] Margins are calculated on revenue as defined above.
[3] Amounts have been restated at December 2016 due to the finalisation of the purchase price allocation on the UGL acquisition.
[4] Net contract debtors represents the net of amounts due from customers and amounts due to customers (refer to the Financial Report, 'Note 8: *Trade and other receivables' – 'Additional information on contract debtors*').
[5] Cash flows from operating activities is defined as the cash flows from operating activities before interest, finance costs, taxes and dividends received.
[6] Net cash from operating activities is defined as the cash flows from operating activities after interest, finance costs, taxes and dividends received.
[7] Gross capital expenditure is payments for property, plant and equipment.
[8] Gross capital proceeds are proceeds received from the sale of property, plant and equipment.
[9] Free operating cash flow is defined as net cash from operating activities less net capital expenditure for property, plant and equipment.
[10] Work in hand includes CIMIC's share of work in hand from joint ventures and associates.
[11] New work includes new contracts and contract extensions and variations including the impact of foreign exchange rate movements.
[12] $5,109.0 million relates to UGL's work in hand at acquisition date, 24 November 2016; $(260.9) million relates to Macmahon work in hand at divestment date, 6 July 2017.

SHAREHOLDER RETURNS

TOTAL SHAREHOLDER RETURN

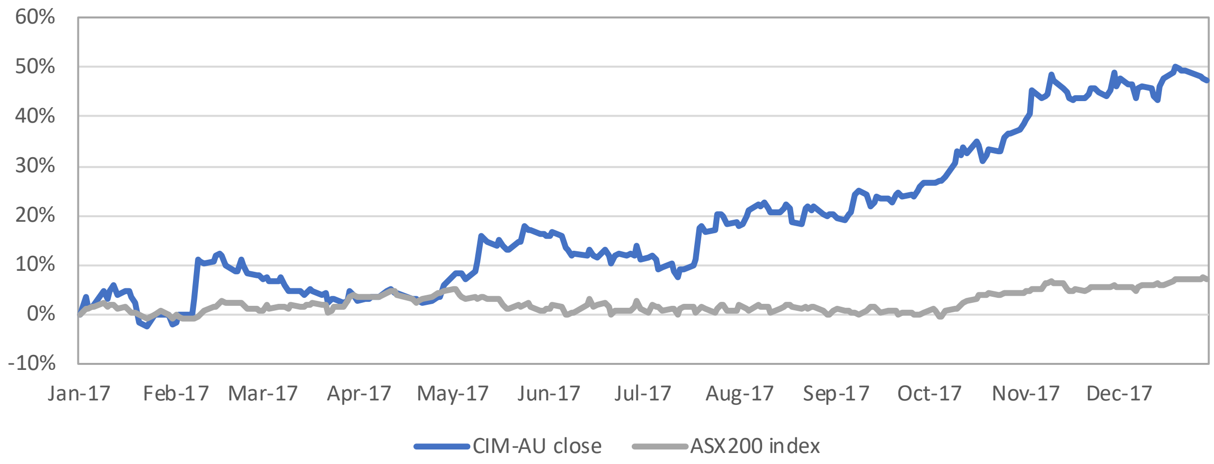
Combining the share price appreciation and dividends paid in 2017, CIMIC delivered a total shareholder return of 51% in 2017.

Shareholder returns	31 December 2017	31 December 2016
Closing share price	$51.45	$34.94
Market capitalisation ($m)	16,682.9	11,329.4
Final dividend per share	75c	62c
Interim dividend per share	60c	48c
Total dividends per share	135c	110c
EPS (basic)	216.5c	176.6c
Payout ratio for ordinary dividends (2017 estimate at the time the dividend is paid)	62.3%	61.5%

PERFORMANCE OF CIMIC SHARES

CIMIC's share price performed strongly during the year and closed at $51.45 (representing a market capitalisation of $16.7 billion as at 31 December 2017), an increase of 47.3% or $16.51 per share since 31 December 2016. By comparison the S&P/ASX 200 index increased 7.0% to 6,065.1 points during the same period.

Indexed performance of CIMIC shares



DIVIDENDS

CIMIC seeks to reward shareholders by paying dividends in line with profits**.** In the year under review, CIMIC again delivered on this approach. Ordinary dividends for the year totalled 135 cents per share, 100% franked, up 22.7% on FY16, and comprised of:

- an interim dividend of 60 cents per share, 100% franked, paid on 4 October 2017; and
- a final dividend of 75 cents per share, 100% franked, to be paid on 4 July 2018.

CIMIC estimates that the final dividend payable will be $243.2 million. This is an estimate only, based on the number of shares on issue as at the date of the Financial Report. Due to the further share buy-back announced on 14 December 2017, which commenced on 29 December 2017, there may be fewer shares on issue on the record date for the dividend than the number of shares on issue as at the date of the Financial Report.

SHARE BUY-BACK PROGRAM

On 12 December 2016, CIMIC announced an on-market share buy-back of up to 10% of its fully paid ordinary shares for a period of 12 months commencing on 29 December 2016. As at 28 December 2017, no additional shares had been bought back under the 2016 buy-back program.

On 14 December 2017, another on-market share buy-back of up to 10% of its fully paid ordinary shares for a period of 12 months commencing on 29 December 2017 was announced. As at 6 February 2018, no additional shares have been bought back since the commencement of the current buy-back program. The timing and number of any shares purchased will depend on CIMIC's share price and market conditions in the future.

EPS (basic) was 216.5 cents, an increase of 22.6% on FY16 (compared to a 21.0% increase in NPAT).

STRATEGY

OPERATING MODEL

CIMIC's mission is to generate sustainable economic returns for shareholders by successfully delivering projects for our clients while providing safe, rewarding and fulfilling careers for our people. Key elements of our strategy are a disciplined approach to risk management and a focus on cash generation, complemented by a strategic approach to capital allocation, always underpinned by an uncompromising focus on safety.

CIMIC has activity-focused businesses in construction, mining, mineral processing, operations and maintenance services, PPPs and engineering. The size of these businesses creates economies of scale and strengthens their position in their respective markets. They are broadly diversified by market sector, activity, geography, type of client, contract type, volume and duration.

Our competitive position and size, combined with our strong balance sheet, puts CIMIC in a robust position to take advantage of growth opportunities, both organic and strategic, in our different markets. The Group's diversity provides clients with integrated solutions from development to financing to engineering, construction, mining, operations and maintenance. The ability to offer a complementary suite of capabilities, throughout the life cycle of a client's infrastructure or resources projects, differentiates CIMIC. The Group continuously seeks to expand and leverage these competencies to further develop in Australia, Asia-Pacific and other select geographies.

Crucial to the strategy is the generation of cash-backed profits, and the development of diversified income streams which helps to reduce volatility, and manage risk whilst generating sustainable returns. Shorter-term projects (e.g. construction) are balanced with medium-term projects (e.g. mining and large scale construction) and longer-term projects (e.g. PPPs, operations and maintenance services, and life-of-mine projects).

Underlying the Group's activity-focused businesses are common systems and processes. This approach facilitates innovation and the sharing of knowledge, and provides a rigorous governance framework.

Our Principles of Integrity, Accountability, Innovation and Delivery, underpinned by Safety, guide all of the Group's activities.

ACQUISITIONS, DIVESTMENTS AND INVESTMENTS

CIMIC's strong balance sheet enables the Group to continue to evaluate acquisition or investment options that complement our capabilities and strategy as opportunities arise.

On 6 July 2017, CIMIC's wholly owned subsidiary CIMIC Group Investments Pty Limited, sold its 23.64% shareholding in Macmahon on the ASX for a price of $0.165 per share, totalling $46.9 million.

FINANCIAL PERFORMANCE

Financial performance $m	**2017**	**2016**	**chg. $**	**chg. %**
Group revenue	16,110.7	13,534.5	2,576.2	19.0%
Revenue – joint ventures and associates	(2,681.2)	(2,680.9)	(0.3)	-
Revenue	**13,429.5**	**10,853.6**	**2,575.9**	**23.7%**
Expenses	(12,377.2)	(10,051.2)	(2,326.0)	23.1%
Share of profit/(loss) of joint ventures and associates	(49.9)	(44.0)	(5.9)	13.4%
EBIT	**1,002.4**	**758.4**	**244.0**	**32.2%**
EBIT margin	7.5%	7.0%	50bp	
Net finance costs	(43.2)	(18.0)	(25.2)	140.0%
Profit before tax	**959.2**	**740.4**	**218.8**	**29.6%**
PBT margin	7.1%	6.8%	30bp	
Income tax	(268.6)	(188.0)	(80.6)	42.9%
Profit for the year	**690.6**	**552.4**	**138.2**	**25.0%**
Non-controlling interests	11.5	27.9	(16.4)	(58.8)%
NPAT	**702.1**	**580.3**	**121.8**	**21.0%**
NPAT margin	5.2%	5.3%	(10)bp	
EPS (basic)	216.5c	176.6c	39.9c	22.6%

REVENUE

Revenue increased by $2.6 billion, or 23.7%, to $13.4 billion in FY17. Revenue increases were recorded across all core businesses. Work in hand, a forward indicator of revenue, also increased (refer to the section of this Operating and Financial Review titled ‘New work and work in hand’ for further information).

Revenue by segment[13] $m	**2017**	**2016**	**chg. $**	**chg. %**
Construction	7,599.1	7,316.8	282.3	3.9%
Mining & mineral processing	3,164.4	2,786.2	378.2	13.6%
Services	2,607.2	204.2	2,403.0	-
Corporate	58.8	546.4	(487.6)	(89.2)%
Revenue	**13,429.5**	**10,853.6**	**2,575.9**	**23.7%**
Revenue – joint ventures and associates	2,681.2	2,680.9	(0.3)	-
Group revenue	16,110.7	13,534.5	2,576.2	19.0%

Group revenue from the various market segments was split 73:27 between domestic and international markets, compared with 64:36 in FY16, largely due to the acquisition of UGL.

CONSTRUCTION REVENUE

Construction revenue was $7.6 billion for FY17, an increase of 3.9%, or $282.3 million, compared to FY16. This reflects a substantial contribution from the ramp up of large scale transport infrastructure projects.

During the period, the Group’s major projects included:

- rail and road developments in Australia, including Sydney Metro Northwest, WestConnex M4 and M5 in New South Wales, and the CityLink Tulla Widening and the Level Crossing Removal projects in Victoria;
- social infrastructure projects including the Northern Beaches Hospital in New South Wales;
- infrastructure projects in Hong Kong including the Passenger Clearance Building for the Hong Kong Boundary Crossing Facilities, the West Kowloon Terminus Station, and the Liantang / Hueng Yuen Wai Boundary Control Point; and
- revenue from PPP projects, including Transmission Gully in New Zealand, and Canberra Light Rail in Australia.

MINING & MINERAL PROCESSING REVENUE

Mining & mineral processing revenue was $3.2 billion for FY17, an increase of 13.6%, or $378.2 million, compared to FY16. The increase in revenue reflects contract extensions and increased production levels, as resource markets gradually show improving trends, as well as the benefits of diversification across commodities and geographic markets.

During the period, the Group’s major projects included:

- Lake Vermont, Mount Owen, Curragh North and Solomon mines in Australia;
- Byerwen mineral processing project in Australia;
- Kaltim Prima Coal mine in Indonesia;
- Ukhaa Khudag mine and Oyu Tolgoi project in Mongolia; and
- Jwaneng mine in Botswana.

[13] 2016 revenue comparatives have been restated by $439.8 million, to include the results of the Commercial & residential segment within the Corporate segment results.

SERVICES REVENUE

Services revenue was $2.6 billion for FY17 which reflects the Group's strengthened position in the operations and maintenance services market.

During the period, the Group's major projects included:

- maintenance and supply chain services to over 1,200 passenger cars in Sydney's metropolitan rail fleet;
- provision of rail signalling systems, tunnel systems and rolling stock as well as franchisee operations for a period of 15 years as part of the Operation, Trains and System contract for the Sydney Metro Northwest Rail project;
- heavy resource maintenance works for Chevron, BP, BHP, Rio Tinto, Woodside and Alcoa, across Australia; and
- rail rolling stock maintenance works for Pacific National and Freightliner in New South Wales.

CORPORATE REVENUE

Corporate revenue was $58.8 million for FY17, a decrease of 89.2%, or $487.6 million, compared to FY16, mainly due to a reduction in commercial and residential property activity.

REVENUE – JOINT VENTURES AND ASSOCIATES

Revenue from joint ventures and associates was $2.7 billion for FY17, which mainly included contributions from HLG Contracting and Ventia.

EXPENSES

Expenses were $12.4 billion for FY17, an increase of 23.1%, or $2.3 billion, compared to FY16, in line with the increase in revenue. The major direct expenses were materials, subcontractors, plant costs, depreciation and personnel costs.

Depreciation and amortisation

Depreciation and amortisation was $511.3 million for FY17, an increase of 51.5%, or $173.9 million, compared to FY16. The higher level of depreciation is driven by increased mining activity and the ramp up of tunnelling activity on the large infrastructure projects.

EBIT

EBIT was $1,002.4 million for FY17, an increase of 32.2% or $244.0 million compared to FY16. This solid result was driven by the growth in revenue as well as our focus on project delivery. The EBIT margin was 7.5%, a 50 basis point increase on FY16.

NET FINANCE COSTS

Finance cost detail $m	**2017**	**2016**	**chg. $**	**chg. %**
Debt interest expenses	(80.9)	(67.1)	(13.8)	20.6%
Facility fees, bonding and other costs	(33.9)	(24.4)	(9.5)	38.9%
Total finance costs	**(114.8)**	**(91.5)**	**(23.3)**	**25.5%**
Interest income	71.6	73.5	(1.9)	(2.6)%
Net finance costs	**(43.2)**	**(18.0)**	**(25.2)**	**140.0%**

The increase in net finance costs is primarily related to the increased level of debt to fund the acquisition of UGL in 2016. The balance of the net finance costs was mainly due to fees and other costs related to the Group's bonding and guarantee facilities, which are integral to the successful delivery of projects; and interest income of $71.6 million.

As a consequence of the Group's strengthened balance sheet over recent years, which allowed the refinancing of the Group's working capital facilities in 2017, the average cost of debt has decreased.

Average cost of debt calculation $m	**2017**	**2016**
Debt interest expenses (a)	(80.9)	(67.1)
Gross debt[14]	903.4	1,167.2
Gross debt average (b)	1,959.0	1,224.0
Average cost of debt (a/b)	**4.1%**	**5.5%**

[14] Total interest bearing liabilities.

PROFIT BEFORE TAX

PBT was $959.2 million for FY17, an increase of 29.6%, or $218.8 million, compared to FY16. The PBT margin was solid at 7.1% reflecting a robust performance from all core businesses.

Profit before tax by segment[15] $m	2017	2016	chg. $	chg. %
Construction	623.7	595.5	28.2	4.7%
Mining & mineral processing	338.8	275.6	63.2	22.9%
Services	164.8	8.6	156.2	-
HLG	(48.0)	29.4	(77.4)	(263.3)%
Corporate	(120.1)	(168.7)	48.6	(28.8)%
Profit before tax	**959.2**	**740.4**	**218.8**	**29.6%**

Construction

Construction PBT was $623.7 million for FY17, an increase of 4.7% or $28.2 million. This result is driven by revenue growth of 3.9% and further expansion of the segment's already strong margins. The margin improvement reflects ongoing focus on disciplined tendering, cost control and project delivery.

Mining & mineral processing

Mining and mineral processing PBT was $338.8 million for FY17, an increase of 22.9% or $63.2 million. This result is reflective of 13.6% revenue growth combined with an expanded PBT margin, a result of a continued focus on driving efficiencies and creating value for clients.

Services

Services PBT was $164.8 million for FY17. This result includes a full year's contribution from UGL, following the acquisition. PBT was driven by realising benefits from the successful integration of UGL throughout the year.

HLG

HLG PBT was ($48.0) million for FY17. This loss is due to costs as a result of the ongoing strategic review as well as project settlements.

Corporate

Corporate PBT was ($120.1) million for FY17, an improvement of 28.8% or $48.6 million. The FY17 Corporate segment mainly includes contributions from Corporate, EIC Activities, Pacific Partnerships and the former Commercial & residential segment, with the FY16 result being impacted by the Devine restructuring activities.

INCOME TAX

Income tax expense was $268.6 million for FY17, an increase of 42.9%, or $80.6 million, compared to FY16. This equates to an effective tax rate of 28.0% compared with 25.4% for FY16. Impacting the effective tax rate are income tax differentials relating to profits and losses from the various overseas jurisdictions in which the Group operates as well as tax adjustments on acquisitions and divestments. The lower rate in FY16 reflected income tax rate differentials and the impact of income tax refunds relating to the earlier divestments of the John Holland and 50% share of Ventia.

NON-CONTROLLING INTERESTS

Non-controlling interests were $11.5 million for FY17, a decrease of 58.8%, or $16.4 million, compared to FY16. This is a result of reduced losses attributable to the share of minority owners for the period, primarily relating to the Group's investment in Devine.

NET PROFIT AFTER TAX

NPAT was $702.1 million for FY17, an increase of 21.0%, or $121.8 million, compared to FY16. Earnings per share (basic) were 216.5 cents, an increase of 22.6% on FY16.

[15] 2016 PBT comparatives have been restated by ($74.7) million, to include the results of the Commercial & residential segment within the Corporate segment results.

FINANCIAL POSITION

CIMIC's balance sheet further strengthened during 2017, as the company maintained its focus on managing working capital and generating sustainable cash-backed profits.

Net cash/(debt) $m	**December 2017**	**December 2016[16]**	**chg. $**	**chg. %**
Cash and cash equivalents	1,813.8	1,576.5	237.3	15.1%
Current interest bearing liabilities	(265.6)	(618.2)	352.6	(57.0)%
Non-current interest bearing liabilities	(637.8)	(549.0)	(88.8)	16.2%
Net cash/(debt)	**910.4**	**409.3**	**501.1**	**122.4%**
Operating leases	(538.6)	(466.9)	(71.7)	15.4%
Net cash /(debt) (including operating leases)	371.8	(57.6)	429.4	(745.5)%

Net contract debtors $m	**December 2017**	**December 2016[16]**	**chg. $**	**chg. %**
Net contract debtors	1,383.8	1,324.6	59.2	4.5%

Assets $m	**December 2017**	**December 2016[16]**	**chg. $**	**chg. %**
Current assets				
Cash and cash equivalents	1,813.8	1,576.5	237.3	15.1%
Trade and other receivables	3,216.3	3,209.6	6.7	0.2%
Current tax assets	29.0	28.0	1.0	3.6%
Inventories: consumables and development properties	210.8	213.0	(2.2)	(1.0)%
Assets held for sale	32.2	47.7	(15.5)	(32.5)%
Total current assets	**5,302.1**	**5,074.8**	**227.3**	**4.5%**
Non-current assets				
Trade and other receivables	1,090.8	1,235.8	(145.0)	(11.7)%
Inventories: development properties	167.6	166.9	0.7	0.4%
Investments accounted for using the equity method	382.7	616.5	(233.8)	(37.9)%
Other investments	169.2	135.4	33.8	25.0%
Deferred tax assets	145.4	328.1	(182.7)	(55.7)%
Property, plant and equipment	1,224.0	1,355.7	(131.7)	(9.7)%
Intangibles	1,089.7	1,146.9	(57.2)	(5.0)%
Total non-current assets	**4,269.4**	**4,985.3**	**(715.9)**	**(14.4)%**
Total assets	**9,571.5**	**10,060.1**	**(488.6)**	**(4.9)%**

Liabilities and equity $m	**December 2017**	**December 2016[16]**	**chg. $**	**chg. %**
Current liabilities				
Trade and other payables	4,737.4	4,781.1	(43.7)	(0.9)%
Current tax liabilities	40.4	126.6	(86.2)	(68.1)%
Provisions	311.8	333.3	(21.5)	(6.5)%
Interest bearing liabilities	265.6	618.2	(352.6)	(57.0)%
Total current liabilities	**5,355.2**	**5,859.2**	**(504.0)**	**(8.6)%**
Non-current liabilities				
Trade and other payables	152.0	287.0	(135.0)	(47.0)%
Provisions	69.3	73.5	(4.2)	(5.7)%
Interest bearing liabilities	637.8	549.0	88.8	16.2%
Total non-current liabilities	**859.1**	**909.5**	**(50.4)**	**(5.5)%**
Total liabilities	**6,214.3**	**6,768.7**	**(554.4)**	**(8.2)%**
Equity	**3,357.2**	**3,291.4**	**65.8**	**2.0%**

[16] Amounts have been restated at December 2016 due to the finalisation of the purchase price allocation on the UGL acquisition.

NET CASH / (DEBT)

Net cash was $910.4 million at 31 December 2017, an increase of 122.4%, or $501.1 million, compared to 31 December 2016. This increase is primarily a result of the operating cash flows during the year, less payments for capital expenditure as well as dividends.

Interest bearing liabilities

Current and non-current interest bearing liabilities were $903.4 million at 31 December 2017, a reduction of 22.6%, or $263.8 million, compared to 31 December 2016.

During 2017, CIMIC successfully refinanced and expanded a $2.6 billion syndicated bank facility which is used to fund working capital. The refinancing was heavily over-subscribed and the strong response from lenders in Australia and Asia allowed the facility to be upsized. The new facility provides increased financial flexibility and supports the Group's strategy.

Bonding

CIMIC has significant bonding and guarantee facilities available which are integral to the successful delivery of existing and future work in hand. Bonds and guarantees outstanding at 31 December 2017 were $3.6 billion (31 December 2016: $4.0 billion). An additional $1.6 billion (31 December 2016: $1.6 billion) was undrawn of which $839.6 million (31 December 2016: $575.4 million) was committed and $735.1 million (31 December 2016: $1.0 billion) was uncommitted.

Credit ratings

On 10 May 2017, Standard & Poor's upgraded CIMIC's investment grade rating from 'BBB-/A-3' to 'BBB /A-2' with a stable outlook. On 3 August 2017, Moody's Investors Service upgraded CIMIC's investment grade rating from 'Baa3' to 'Baa2' with a stable outlook. These rating upgrades are a positive reflection of the strength of the Group's financial position.

CURRENT ASSETS

Trade and other receivables

Trade and other receivables were $3,216.3 million at 31 December 2017, an increase of 0.2%, or $6.7 million, compared to 31 December 2016. The figure includes $2,495.9 million (31 December 2016: $2,607.9 million) of amounts due from customers (refer to net contract debtors below). The remaining balance relates to sundry debtors, joint venture and other receivables.

Net contract debtors

The Group's net contract debtors were $1,383.8 million at 31 December 2017, a similar level compared to 31 December 2016.

The Group's $675.0 million contract debtors portfolio provision remains unchanged as at 31 December 2017.

NON-CURRENT ASSETS

Trade and other receivables

Trade and other receivables were $1,090.8 million at 31 December 2017, a decrease of 11.7%, or $145.0 million, compared to 31 December 2016. This figure includes $1,046.3 million (31 December 2016: $1,043.2 million) of non-current loan receivables owed by HLG Contracting, refer to the Financial Report, 'Note 8: *Trade and other receivables*' for details.

Investments accounted for using the equity method

Equity accounted investments include project-related associates and joint ventures, PPP projects, along with the Group's investments in HLG Contracting and Ventia.

Investments accounted for using the equity method were $382.7 million at 31 December 2017, a decrease of 37.9%, or $233.8 million, compared to 31 December 2016. This is largely due to the reduction in the carrying value of the Group's investment in HLG Contracting. For details on the valuation of HLG Contracting refer to the Financial Report, 'Note 26: *Joint ventures entities*'. The December 2017 balance excludes CIMIC's investment in Macmahon, due to the divestment of CIMIC's shareholding in FY17.

Deferred tax assets

Deferred tax assets were $145.4 million at 31 December 2017, a decrease of 55.7%, or $182.7 million, compared to 31 December 2016. Deferred tax assets are impacted by the timing difference of tax obligations as well as acquisitions and divestments. In 2016, the balance of $328.1 million included an increase of $208.6 million largely due to the acquisition of UGL.

Property, plant and equipment

Property, plant and equipment was $1,224.0 million at 31 December 2017, a decrease of 9.7%, or $131.7 million, compared to 31 December 2016. At 31 December 2017, $538.6 million worth of equipment was financed by the Group under operating leases. Additions to property, plant and equipment during the period included investment in job-costed tunnelling machines for major road and rail projects, and capital expenditure on plant and equipment to deliver increased production on a number of mining projects. The balance also includes the effect of foreign exchange rate fluctuations.

Intangibles

Intangibles were $1,089.7 million at 31 December 2017, a decrease of 5.0%, or $57.2 million, compared to 31 December 2016. The change during the year mainly represents the amortisation of customer contracts, which includes customer contracts acquired as part of the UGL acquisition. Intangibles include $922.5 million of goodwill.

CURRENT LIABILITIES

Trade and other payables

Trade and other payables were $4,737.4 million at 31 December 2017, a decrease of 0.9%, or $43.7 million, compared to 31 December 2016. This figure includes $1,112.1 million (31 December 2016: $1,283.3 million) of amounts due to customers. The remaining balance includes trade creditors and accruals, joint venture payables and other creditors.

Current tax liabilities

Current tax liabilities were $40.4 million at 31 December 2017, a decrease of 68.1%, or $86.2 million, compared to 31 December 2016. Changes in tax liabilities are driven by the timing of income tax payments as required to be made across the various jurisdictions in which the Group operates and tax payments in FY17 for the FY16 Nextgen divestment.

Provisions

Provisions were $311.8 million at 31 December 2017, a decrease of 6.5%, or $21.5 million, compared to 31 December 2016. The provision is for employee benefits and relates to wages and salaries, annual leave, long service leave, retirement benefits and deferred bonuses.

NON-CURRENT LIABILITIES

Trade and other payables

Trade and other payables were $152.0 million at 31 December 2017, a reduction of 47.0%, or $135.0 million, compared to 31 December 2016.

Provisions

Provisions were $69.3 million at 31 December 2017, a decrease of 5.7%, or $4.2 million, compared to 31 December 2016. This figure includes employee benefits relating to long service leave, retirement benefits and deferred bonuses.

EQUITY

Equity was $3,357.2 million as at 31 December 2017, an increase of 2.0%, or $65.8 million, compared to 31 December 2016.

CASH FLOWS

Cash flows from operating activities $m	2017	2016	chg. $	chg. %
Cash flows from operating activities	**1,523.4**	**1,201.4**	**322.0**	**26.8%**
Interest, finance costs, taxes and dividends received	(161.0)	(74.4)	(86.6)	116.4%
Net cash from operating activities	**1,362.4**	**1,127.0**	**235.4**	**20.9%**

Cash flows from investing activities $m	2017	2016	chg. $	chg. %
Payments for intangibles	(14.2)	(14.7)	0.5	(3.4)%
Payments for property, plant and equipment	(424.1)	(280.2)	(143.9)	51.4%
Proceeds from sale of property, plant and equipment	118.6	97.8	20.8	21.3%
Proceeds from sale of investments	46.9	180.8	(133.9)	(74.1)%
Cash acquired from acquisition of investments in controlled entities and businesses	-	244.4	(244.4)	-
Income tax paid in relation to proceeds from sale of investments in controlled entities and businesses	(59.0)	(32.0)	(27.0)	84.4%
Payments for investments	(60.1)	(325.1)	265.0	(81.5)%
Loans to associates and joint ventures	(40.9)	(152.7)	111.8	(73.2)%
Net cash from investing activities	**(432.8)**	**(281.7)**	**(151.1)**	**53.6%**

Cash flows from financing activities $m	2017	2016	chg. $	chg. %
Own shares purchased from shareholders of the Company	-	(425.9)	425.9	-
Cash payments in relation to employee share plans	(8.6)	(18.8)	10.2	(54.3)%
Proceeds from borrowings	1,517.0	380.4	1,136.6	-
Repayment of borrowings	(1,705.9)	(380.1)	(1,325.8)	-
Repayment of finance leases	(21.2)	(276.9)	255.7	(92.3)%
Dividends paid to non-controlling interests	-	(12.6)	12.6	-
Dividends paid to shareholders of the Company	(395.6)	(320.5)	(75.1)	23.4%
Payments to acquire non-controlling interests	(29.3)	(389.0)	359.7	(92.5)%
Net cash from financing activities	**(643.6)**	**(1,443.4)**	**799.8**	**(55.4)%**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activites were $1,523.4 million for FY17. There was a significant increase in cash flow generation from operating activities during FY17, a result of CIMIC's continued focus on managing working capital and generating cash-backed profits.

The EBITDA conversion rate was 101% in FY17, which remains at a consistently high level.

Income taxes paid have increased by $59.8 million for FY17. Changes in taxes paid are impacted by the timing of payments of taxes and receipt of refunds outside of the financial year to which they relate. Finance costs paid have increased due to the higher average gross debt in the period, primarily due to the acquisition of UGL.

CASH FLOWS FROM INVESTING ACTIVITIES

Net cash outflows from investing activities were $432.8 million for FY17. This compares to an outflow of $281.7 million in FY16.

Gross capital expenditure was $424.1 million for FY17, an increase of 51.4%, or $143.9 million, compared to FY16. The increase reflects investment in job-costed tunnelling machines for major road and rail projects, and capital expenditure on plant and equipment for mining projects, in line with the increase of activities and revenue in these areas.

Gross capital proceeds were $118.6 million for FY17, which reflected the sale of mining plant into operating leases, in line with the Group's fleet management strategy.

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash outflows from financing activities were $643.6 million for FY17 compared to $1,443.4 million in FY16. This mainly represents a reduction of the Group's net borrowings as well as dividends paid during the year.

NEW WORK AND WORK IN HAND

CIMIC maintained its position as a leading international contractor and the world's largest mining services provider, winning $18.4 billion worth of new work. The new work was broadly diversified by activity which supports the delivery of sustainable returns.

The Group's total work in hand was $36.0 billion at 31 December 2017, an increase of 5.9%, or $2.0 billion, compared to 31 December 2016. This work in hand is equivalent to over two years of revenue.

Work in hand $m	December 2017	December 2016	chg. $	chg. %
Work in hand beginning of period	34,012.0	29,004.4	5,007.6	17.3%
New work	18,369.5	13,433.1	4,936.4	36.7%
Acquisitions / (divestments)	(260.9)	5,109.0	(5,369.9)	(105.1)%
Executed work	(16,110.7)	(13,534.5)	(2,576.2)	19.0%
Total work in hand end of period	**36,009.9**	**34,012.0**	**1,997.9**	**5.9%**

Work in hand was 73:27 between domestic and international markets, compared with 68:32 in FY16.

MAJOR CONTRACT AWARDS AND SCOPE INCREASES IN 2017

New work comprised $13.6 billion of new contracts and $4.8 billion of contract extensions and variations, including the impact of foreign exchange rate movements.

Work in hand by segment[17] $m	December 2017	%	December 2016	%	chg. $	chg. %
Construction	14,929.0	41%	12,959.0	38%	1,970.0	15.2%
Mining & mineral processing	10,445.4	29%	10,025.4	30%	420.0	4.2%
Services	6,662.6	19%	4,926.3	14%	1,736.3	35.2%
HLG	842.2	2%	1,798.1	5%	(955.9)	(53.2)%
Corporate	3,130.7	9%	4,303.2	13%	(1,172.5)	(27.2)%
Total work in hand	**36,009.9**	**100%**	**34,012.0**	**100%**	**1,997.9**	**5.9%**

CONSTRUCTION WORK IN HAND

Construction work in hand was $14.9 billion at 31 December 2017, an increase of 15.2%, or $2.0 billion compared to 31 December 2017. Construction work in hand is diversified across a range of markets and sectors in Australia, New Zealand and Asia–Pacific.

A number of significant construction projects were awarded during the year including projects with revenue of:

- $2.8 billion to design and construct the Sydney Metro, Stage 2, New South Wales ($1.265 billion, CPB Contractors);
- $2.5 billion to design and construct the West Gate Tunnel, Victoria;
- $1.1 billion to design and construct the Metro Tunnel Rail works, Victoria ($312 million, CPB Contractors);
- $497 million to design the Mackay Ring Road, Stage 1, Queensland ($215 million, CPB Contractors);
- $470 million to construct the Deep Tunnel Sewerage System Phase 2, Singapore;
- $436 million to construct the East Kowloon Cultural Centre, Hong Kong;
- $400 million to construct the New Parallel Runway at Brisbane Airport, Queensland ($200 million, CPB Contractors);
- $390 million to construct the Terminal 2 (T2) foundation and substructure works at International Airport, Hong Kong ($273 million, Leighton Asia);
- $365 million to upgrade a section of the Pacific Highway (on the Woolgoolga to Ballina sector), New South Wales;
- $278 million to deliver the Terminal 1 Annex Building and Carpark 4 Expansion for the International Airport, Hong Kong;
- $276 million to construct three road projects, Western Australia ($196 million, CPB Contractors);
- $219 million to design and construct the Christchurch Convention and Exhibition Centre, New Zealand;
- $175 million to design and construct the third stage of the North Link road project, Western Australia;
- $148 million to deliver the Black Point Power Station Combined Cycle Gas Turbine, Hong Kong;
- $145 million to design and construct the Capricornia Correctional Centre, Queensland; and
- $103 million to deliver a PPP schools initiative, New Zealand.

[17] Since June 2017, the former Commercial & residential segment has been included within the Corporate segment (FY16: $724.2 million).

MINING & MINERAL PROCESSING WORK IN HAND

Mining & mineral processing work in hand was $10.4 billion at 31 December 2017, an increase of 4.2%, or $420.0 million compared to 31 December 2016. CIMIC continued to diversify its mining & mineral processing portfolio by commodity and geography.

The Group won several significant mining & mineral processing contracts including projects with revenue of:

- $650 million to provide mining services at the Solomon Hub, Western Australia;
- $500 million to provide mining services at the Mount Pleasant mine, New South Wales;
- $450 million to continue mining operations at the Yallourn mine, Victoria ($195 million, Thiess);
- $440 million to provide mining services at BHP Billiton Mitsubishi Alliance's (BMA) Caval Ridge and Peak Downs mines, Queensland;
- $437 million to provide mining services at the Gunung Bara Utama mine until 2024, Indonesia;
- $300 million to expand operations at the Kaltim Prima Coal Sangatta mine, Indonesia;
- $300 million contract extension at Harum Energy's Mahakam Sumber Jaya (MSJ) mine until 2021, Indonesia;
- $207 million to undertake mineral processing operations at the Byerwen and Woodlawn projects, Queensland and New South Wales;
- $189 million to continue to operate at the Jellinbah Plains mine, Queensland; and
- $134 million contract and contract extension to provide mining solutions at the adjoining Satui and Wahana mines, Indonesia.

SERVICES WORK IN HAND

Services work in hand was $6.7 billion at 31 December 2017 up 35.2%, or $1.7 billion compared to 31 December 2016. The services work in hand is diversified across a range of markets in Australia, New Zealand and Asia-Pacific. Major contracts include metro rail network operations and maintenance, freight rail and naval ship maintenance, and asset management services across oil and gas, water and power.

Several major services contracts were awarded during the year including:

- $1.9 billion contract to continue the operations and maintenance of the Melbourne suburban train network for a further seven years, Victoria;
- several contracts for the engineering, procurement design and construction of solar farms in Australia (e.g. Collinsville Solar Farm in New South Wales, White Rock in Queensland, and Bannerton Solar Park in Victoria); and
- the provision of maintenance services for the next five years to Esso Australia, Victoria.

OTHER WORK IN HAND

HLG work in hand was $842.2 million at 31 December 2017. The reduction during 2017 was a result of projects being delivered, while maintaining a disciplined bidding approach as part of the ongoing strategic review.

Corporate work in hand mainly includes contributions from the former Commercial & residential segment and CIMIC's share of work in hand from investments such as Ventia and previously Macmahon.

RISK MANAGEMENT

CIMIC defines risk management as the identification, assessment and treatment of risks that have the potential to impact materially the Group's operations, people, and reputation, the environment and communities in which the Group works, and the financial prospects of the Group. The Group's risk management framework is continually monitored and there have been no material changes to the risks presented below since the 2016 Annual Report.

CIMIC's risk management framework is tailored to its business, embedded mostly within existing processes and aligned to the Company's objectives, both short and longer term.

Given the diversity of the Group's operations and the breadth of its geographies and markets, a wide range of risk factors have the potential to affect the achievement of business objectives. Key risks, including those arising due to externalities such as the economic, natural and social operating environments, are set out in the following table, together with the Group's approach to managing those risks.

Risk description	Risk management approach
The Group's operations require planning, training and supervision to manage workplace health and safety hazards.	
A workplace health and safety incident or event may put our people and the community at risk.	The Group is committed to the health, safety and security of our people and the communities in which we work. Safety policies and standards apply across the Group. Compliance is regularly reviewed. The Group seeks continual improvement in safety performance. Governance of safety is overseen by the Board and the Ethics, Compliance and Sustainability Committee.
The Group often works within, or adjacent to, sensitive environments.	
An environmental incident or unplanned event may occur that adversely impacts the environment or the communities in which we work.	The Group is committed to the highest standard of environmental performance. Operating Companies' environmental policies and procedures are aligned with the Group Policy and Standards. Should an incident occur, emergency response plans will be enacted. The Ethics, Compliance and Sustainability Committee oversees environmental performance.
External factors may affect the Group's markets and growth plans.	
Changes in economic, political or societal trends, or unforeseen external events and actions, may affect business development and project delivery.	The Group maintains a diverse portfolio of projects and investments across a range of markets and geographies. Regular and rigorous reviews of the Group's current and potential geographies, industries, activities and competitors are undertaken. Oversight of key risks is maintained by the Audit and Risk Committee, supported by a quarterly Risk Report that aggregates and highlights risks to the Group achieving its objectives.
Reduction in demand for global commodities and/or price may cause resource clients to curtail or cease capital investment programmes, or adjust operations, thereby impacting existing and future contracts.	The Group maintains a project, contract and investment portfolio that is diversified by geography, market, activity and client to mitigate the impact of emerging trends and market volatility. The Group continually seeks opportunities to improve its operations and thereby the value proposition it delivers to clients.
The Group's reputation is critical to securing future work and attracting and retaining quality personnel, subcontractors and suppliers.	
Issues impacting brand and reputation may affect the Group's ability to secure future work opportunities, investment, suppliers or joint venture partners.	The Group is committed to the highest standard of ethical conduct, and statutory and regulatory compliance. This is supported by a comprehensive range of Group level policies and standards, including our Code of Conduct. CIMIC promotes clear governance through the empowerment of individuals with delegated authority, appropriate segregation of duties, and clear accountability and oversight for risks.
The Group targets work that meets a defined risk appetite and appropriately balances risk and reward.	
Work procurement challenges may impact our ability to secure high-quality projects and contracts.	Application of the Group work procurement standards and approval process maximises the likelihood of securing quality work with commensurate returns for the risks taken. Pre-contracts assurance teams manage and assure the work procurement process. EIC Activities supports the Group with project design, risk identification and engineering solutions during the tender phase. The Tender Review Management Committee oversees and approves the risk profile for key tenders.
Work delivery is subject to various inherent uncertainties.	
Work delivery challenges may manifest in actual costs increasing from our earlier estimates.	Significant resources are devoted to the avoidance, management and resolution of work delivery challenges. Operating Companies provide project teams with guidance and support to achieve project and business objectives. EIC Activities also helps to identify and mitigate risk. Project oversight is maintained by regular performance reviews that involve Operating Company and CIMIC management, commensurate with the scale, complexity and status of the project.

SIGNIFICANT CHANGES

SIGNIFICANT CHANGES DURING FY17

- Since 2015, CPB Contractors together with its consortium partners, Saipem SA and Saipem Portugal Comércio Maritimo LDA, have been in negotiations with Chevron Australia Pty Ltd (Chevron) in relation to collection of contract debtors from the Gorgon LNG Jetty and Marine Structures Project (Gorgon Contract). On 9 February 2016, the Consortium formally issued a Notice of Dispute to Chevron in connection with the Gorgon Contract. Following a period of prescribed negotiation, the parties have entered a private arbitration as prescribed by the Gorgon Contract. Since December 2016, the arbitration has continued in accordance with the contractual terms. The Arbitrators have been appointed and have made orders for the conduct of the proceedings and it is anticipated that the hearings will be in 2019 with a determination thereafter.
- On 20 January 2017, CIMIC completed its compulsory acquisition of UGL, following an off-market takeover offer announced on 10 October 2016.
- On 10 May 2017, Standard & Poor's upgraded CIMIC's investment grade rating one-notch to 'BBB/A-2' with a stable outlook.
- On 1 June 2017, CIMIC announced Stefan Camphausen's promotion to CIMIC Group Chief Financial Officer.
- On 6 July 2017, CIMIC sold its 23.64% shareholding in Macmahon.
- On 3 August 2017, Moody's Investors Service upgraded CIMIC's investment grade rating one-notch to 'Baa2' with a stable outlook.
- On 20 September 2017, CIMIC announced the appointment of Kathryn Spargo as an Independent Non-Executive Director.
- On 25 September 2017, CIMIC successfully refinanced and expanded a $2.6 billion syndicated bank facility as part of its long-term financing strategy.
- On 1 November 2017, CIMIC announced Michael Wright's promotion to CIMIC Group Chief Executive Officer and Managing Director effective from 1 December 2017.
- On 1 November 2017, CIMIC announced the appointment of Ignacio Segura as Deputy Chief Executive Officer and Chief Operating Officer.
- On 1 November 2017, CIMIC announced the appointment of Ángel Muriel as an Alternate Director for Peter Sassenfeld and the appointment of Adolfo Valderas as an Alternate Director for Pedro López Jiménez.
- On 14 December 2017, CIMIC announced a further on-market buy-back of up to 10% of CIMIC's fully paid ordinary shares for a period of 12 months commencing on 29 December 2017. The previous share buy-back (announced 12 December 2016) ended on 28 December 2017.

SHAREHOLDERS

The largest shareholder in CIMIC is HOCHTIEF Australia Holdings Limited, a wholly owned subsidiary of HOCHTIEF AG, which owns 72.68% of CIMIC as at 31 December 2017. HOCHTIEF AG is listed on the Frankfurt Stock Exchange. The largest shareholder in HOCHTIEF AG is Spanish based company ACS, which held 71.72% of the shares in HOCHTIEF as at 31 December 2017.

OPERATING ENVIRONMENT OUTLOOK

CIMIC is a world-leading infrastructure, mining, services and public private partnerships group. We have businesses in construction (CPB Contractors and Leighton Asia), mining and mineral processing (Thiess and Sedgman), operation and maintenance services (UGL), public private partnerships (Pacific Partnerships) and engineering (EIC Activities). Our mission is to generate sustainable shareholder returns by delivering innovative and competitive solutions for clients and safe, fulfilling careers for our people. With a history since 1899, and more than 50,000 people in 20 countries, we strive to be known for our principles of Integrity, Accountability, Innovation and Delivery, underpinned by Safety. CIMIC is well placed in geographies and markets that should continue to grow and support a broad range of opportunities for the foreseeable future.

CONSTRUCTION MARKET

Construction activity is largely underpinned by government investing in infrastructure projects. Across Australia and the Asia-Pacific, governments are expected to invest strongly to address growing populations, increasing levels of urbanisation, the impacts of climate change and deficits caused by historic underinvestment.

Australia's long run of annual GDP growth is expected to continue with real growth forecast of 2.75% in 2017-18 and 3% in 2018-19.[18] This positive outlook, combined with strong population growth of 1% to 2%[19] per annum from 2016 to 2026, should help to sustain demand for substantial infrastructure spending over the next few years, and provide a broad range of construction opportunities.

The Australian Federal Government's 2017-18 Budget has committed $75 billion to road and rail infrastructure investment through to 2026-27.[20] This commitment builds on its 2013-21 road, rail and air transport infrastructure investment plan, and is spearheaded by major transport projects, including $5.3 billion for the delivery of Western Sydney Airport and $10 billion for the National Rail Program.[21]

Over $42 billion of infrastructure commitments outlined in the Federal Budget are dedicated to the three eastern mainland Australian states.[22] In addition, each of the State Governments have infrastructure investment programs, some of which are substantial in their own right. This commitment to direct investment in infrastructure is expected to be complemented by the private sector, via the financing of a range of major State and Federal Government transport and social infrastructure projects under PPP models (see 'PPP Market' section below).

The Australian Industry Group's November 2017 Construction Outlook Survey reported that, "For the 2017/18 financial year, the value of turnover from all major construction work is expected to recover by 7.1% …an expanding pipeline of publicly funded infrastructure investment is expected to drive stronger activity over the year."[23]

Economic growth across the Group's key markets in New Zealand and the wider Asia-Pacific region also remains positive and should continue to drive a range of construction opportunities, particularly for transport related infrastructure.

PPP MARKET

The Australian PPP market is well developed and governments – at both a State and Federal level – have turned to the private sector for more than two decades to complement the delivery of infrastructure. The PPP market has been tapped to develop road, rail, health, education, defence, justice, correctional, water, convention centre, social housing and student accommodation projects. Given government constraints on budgets, PPPs are expected to play an increasingly important part in meeting the future infrastructure needs of the country. This is reflected in the National PPP Policy Framework, agreed to by the Coalition of Australian Governments, where all projects with a total capital value exceeding $50 million may be considered for PPP agreements.[24] The Group's Pacific Partnerships business was created to address the opportunities in this market and future growth.

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[18] Budget Strategy and Outlook: Budget Paper No. 1, p.8, accessed 25 January 2018.

[19] 3101.0 Australian Demographic Statistics June 2017, Table 9 Series B(d).

[20] Based on Commonwealth of Australia data, Budget 2017-18: Stronger growth to create more and better paying jobs, May 2017, p. 8, accessed 6 June 2017.

[21] Based on Commonwealth of Australia data, Budget 2017-18: Stronger growth to create more and better paying jobs, May 2017, p. 9, accessed 6 June 2017.

[22] Based on Commonwealth of Australia data, Budget 2017-18: Stronger growth to create more and better paying jobs, May 2017, pp. 10-11, accessed 6 June 2017.

[23] Construction Outlook, Ai Group/Australian Constructors Association, November 2017.

[24] Infrastructure Australia, Public Private Partnerships, accessed 6 June 2017 at http://infrastructureaustralia.gov.au/policy-publications/public-private-partnerships/.

MINING AND MINERAL PROCESSING MARKET

As a world leading mining services provider, CIMIC Group remains in a strong position to capitalise on opportunities as they arise in the contract mining and mineral processing market. Our expertise spans most of the world's commodities including metallurgical and thermal coal, iron ore, copper, nickel, zinc, gold, diamonds and oil sands. The Australian Government's Resources and Energy Quarterly reported in December 2017[25] that Australia's resources and energy export earnings are forecast to reach an all-time high of $214 billion in 2017-18. In real terms, this represents 28% growth on 2015-16. This growth is largely driven by steel-making commodities and coal. From FY17 to FY19 (June/July), export volumes are expected to grow by 8.6% for metallurgical coal, by 0.8% for thermal coal and by 7.9% for iron ore, sustaining a good level of mining services activity.

The longer term demand outlook remains positive for minerals, underpinned by sustained economic growth, particularly from Asia. This demand, long-term client partnerships, and the Group's competitive position provides confidence for the future.

SERVICES MARKET

The market for Australian maintenance services is estimated at $39.5 billion.[26] Continuing investment in infrastructure development and an increase in the proportion of the Australian market that is outsourced (currently around 55%) is expected to grow private sector opportunities for companies by about 5.2% per annum until FY21. This growth will be led primarily by the oil and gas and mining sectors, rail sector, roads, water and wastewater, and telecommunications. [27]

CIMIC is well positioned to extend its services capabilities both in existing and new markets by leveraging existing client relationships as well as developing new client value propositions by benefiting from the Group's complementary activities.

[25] Australian Government Department of Industry, Innovation and Science (Office of the Chief Economist) Resources and Energy Quarterly, December 2017.

[26] BIS Shrapnel (BIS Oxford Economics), *Maintenance in Australia 2016 – 2031*, October 2016.

[27] BIS Shrapnel (BIS Oxford Economics), *Maintenance in Australia 2016 – 2031*, October 2016.

FUTURE DEVELOPMENTS

GROUP PROSPECTS

CIMIC is a leading provider of construction, PPPs, mining and mineral processing, operations and maintenance services, and engineering in Australia and overseas. CIMIC's core markets continue to offer a broad range of opportunities. CIMIC's work in hand and a large pipeline of future opportunities support our positive outlook.

CIMIC is currently bidding on, or has been shortlisted for, major projects including:

- WestConnex PPP investment and WestConnex Stage 3, New South Wales;
- Cross River Rail PPP project, Queensland;
- Outer Suburban Arterial Roads package 3 PPP, Victoria;
- Sydney Metro (construction and O&M), New South Wales;
- Melbourne Metro Rail link, Victoria;
- Snowy Hydro 2.0 project, New South Wales;
- North-South Corridor, Singapore;
- Kai Tak Sports Park, Hong Kong;
- Various projects in Canada and Chile including additional mining works in the oil sands and AMSA Minera Centinela as well as the Jwaneng expansion project, Botswana; and
- Mining and processing opportunities in New South Wales, Queensland and Western Australia.

The Group has a robust pipeline with at least $110 billion of tenders relevant to CIMIC to be bid and/or awarded in 2018, and around $285 billion of projects are coming to the market in 2019 and beyond, including about $65 billion worth of PPP projects.

CIMIC continues to consider opportunities to expand into new regions and markets, by leveraging its existing capabilities as well as analysing acquisition opportunities.

The Group's positive outlook has its foundations in its continued focus on maintaining a strong balance sheet, generating cash, and being disciplined in tendering and project delivery. This focus, combined with the Group's strong competitive position and the opportunities across core markets, provides a solid base for sustainable returns.

GUIDANCE

CIMIC expects 2018 NPAT to be in the range of $720 million to $780 million, representing an increase of 3% to 11% on 2017 NPAT, subject to market conditions.

Remuneration Report

UGL

A diversified services company delivering critical assets and essential services that sustain and enhance the environment in which we live.

Photo: Melbourne Suburban Network Operations and Maintenance contract, Victoria, Australia, UGL is a key joint venture partner.

Remuneration Report

SCOPE

The information provided in this Remuneration Report has been audited and is in accordance with the requirements of the Corporations Act.

For the purposes of this Remuneration Report, the KMP are referred to as either Senior Executives (which includes the Executive Chairman) or Non-executive Directors (including Alternate Directors). Details of the Senior Executives (as at 31 December 2017) are set out below. Details of former Senior Executives are set out on page 68, and the current and former Non-executive Directors as at 31 December 2017 are set out on page 69.

SENIOR EXECUTIVE REMUNERATION – POLICY AND APPROACH

REMUNERATION PRINCIPLES

The key remuneration principles that underpin CIMIC's approach to Senior Executive remuneration are to:

- align to Group principles and business needs;
- link performance to reward; and
- promote behaviours that deliver Group sustainability and align to shareholder interests.

REMUNERATION COMPONENTS

Senior Executive remuneration for the 2017 Financial Year was delivered as a mix of fixed and variable remuneration as set out in the following table:

Fixed	Fixed remuneration	Base salary, non-monetary benefits and superannuation (as applicable).
Variable	Short-Term Incentive (STI)	Annual cash incentive paid to eligible Senior Executives for performance against approved and measurable objectives.
	Long-Term Incentive (LTI)	An option plan vesting 2 years after award and available to exercise over 3 years. Awards are provided to select Senior Executives on a periodic basis and at the discretion of the Company.

APPROACH TO SETTING REMUNERATION

Individual remuneration is determined by reference to:

- Group policy regarding the mix of fixed and variable remuneration;
- performance and experience of the individual;
- comparable jobs within the Group; and
- remuneration for comparable jobs amongst peer companies.

The Remuneration and Nomination Committee considers and proposes the remuneration of the CEO (including any incentive awards) to the Board for approval, and receives and reviews the remuneration (including any incentive awards) approved by the CEO for any other Senior Executives.

SENIOR EXECUTIVE REMUNERATION – COMPONENTS IN DETAIL

The Senior Executives as at 31 December 2017 are identified in the table below.

Executive Directors		
Marcelino Fernández Verdes	Executive Chairman	Appointed as CEO on 13 March 2014. Elected Executive Chairman on 11 June 2014. Previously a Non-executive Director from 10 October 2012 to 13 March 2014. On 18 October 2016, Mr Fernández Verdes stepped down as CEO. Mr Fernández Verdes has continued in his capacity as Executive Chairman.
Michael Wright	CEO and Managing Director	Appointed as Deputy CEO and became KMP on 24 August 2017. On 1 December 2017, Mr Wright was appointed as CEO and Managing Director.
Executives		
Stefan Camphausen	CFO	Appointed as CFO and became KMP on 1 June 2017.

The remuneration components described in this section apply to current Senior Executives Mr Wright and Mr Camphausen as well as to former Senior Executives Mr Adolfo Valderas and Mr Ángel Muriel. Both Mr Valderas and Mr Muriel ceased employment during the year and took up roles within the ACS Group.

The remuneration arrangements applicable to Mr Fernández Verdes are described separately in the 'Remuneration – Executive Chairman' section on page 64.

FIXED REMUNERATION

Fixed remuneration received by Senior Executives comprises base salary, non-monetary benefits and superannuation (as applicable).

Non-monetary benefits included such items as fringe benefits and other salary-sacrificed benefits as agreed from time to time.

Effective 1 April 2017, an increase was made to the fixed remuneration for Mr Muriel from $1,000,000 per annum to $1,200,000 per annum to reflect his experience and contribution, and the market position of the role.

Effective 1 June 2017, the fixed remuneration for Mr Camphausen was set at $750,000 per annum in recognition of his promotion to the role of CFO, replacing Mr Muriel.

Effective 24 August 2017, the fixed remuneration for Mr Wright was set at $1,200,000 per annum in recognition of his promotion to the role of Deputy CEO and subsequent promotion to the role of CEO and Managing Director, replacing Mr Valderas on 1 December 2017.

STI

Summary of 2017 STI

<table>
<tr><td>Senior Executive participation</td><td colspan="2">Messrs Wright, Camphausen, Valderas and Muriel participated in the 2017 STI. Mr Fernández Verdes did not participate in the STI.</td></tr>
<tr><td>How much could Senior Executives earn under the 2017 Financial Year STI?</td><td colspan="2">The STI opportunity provides a reward for threshold, target and stretch performance based on performance conditions referred to below. The table reflects the potential earnings as a percentage of fixed remuneration for the relevant executive.

The STI opportunities for 2017 were:
<table>
<tr><td></td><td colspan="3">Percentage of Total Fixed Remuneration (TFR)</td></tr>
<tr><td></td><td>Threshold</td><td>Target</td><td>Stretch</td></tr>
<tr><td colspan="4">Senior Executives</td></tr>
<tr><td>M Wright
S Camphausen</td><td>36% (ie, 60% of the target STI opportunity of 60% of TFR)</td><td>60% (ie, 100% of the target STI opportunity of 60% of TFR)</td><td>90% (ie, 150% of the target STI opportunity of 60% of TFR)</td></tr>
<tr><td colspan="4">Former Senior Executives</td></tr>
<tr><td>A Valderas
Á Muriel</td><td>45% (ie, 60% of the target STI opportunity of 75% of TFR)</td><td>75% (ie, 100% of the target STI opportunity of 75% of TFR)</td><td>112.5% (ie, 150% of the target STI opportunity of 75% of TFR)</td></tr>
</table></td></tr>
<tr><td>Over what period was performance measured?</td><td colspan="2">The 2017 Financial Year.</td></tr>
<tr><td>What were the performance conditions?</td><td>Financial measures
80% of the amount that could be earned as STI was based on performance against financial measures and targets applicable to the relevant role.
For Senior Executives in 2017, this financial component was based on NPAT and operating cash flow.</td><td>Non-financial measures
20% of the amount that could be earned as STI was based on performance against safety targets and/or other non-financial measures relevant to the role.</td></tr>
<tr><td>Why were those performance measures chosen?</td><td>The financial measures are designed to encourage Senior Executives to focus on the key financial objectives of the Group consistent with the business plan for the relevant year and the Group's strategic objectives.</td><td>The non-financial measures are designed to encourage a direct relationship between the measures set and the individual Senior Executive's role. They also ensure that contributions to critical initiatives are recognised and rewarded.</td></tr>
<tr><td>How is the STI paid?</td><td colspan="2">The STI is paid in cash following finalisation of the audited financial statements for the 2017 Financial Year.</td></tr>
<tr><td>How was performance against targets assessed?</td><td colspan="2">Performance against financial and non-financial key performance indicators (KPIs) was assessed following the end of the 2017 Financial Year to determine the actual STI payments. A scorecard-based calculation was made and, the resulting STI amount adjusted, if required, following a qualitative assessment.
Notwithstanding any STI amount determined, the Remuneration and Nomination Committee, on the recommendation of the Executive Chairman, retains an overriding ability to adjust the STI amount before payment taking into account all relevant circumstances.</td></tr>
</table>

STI outcomes for the 2017 Financial Year

STI payments for the 2017 Financial Year were determined based on Senior Executive performance against the applicable financial and non-financial KPIs, as described above. In general, during the 2017 Financial Year, the Group focused on enhancing cash flow performance and strengthening its balance sheet to position itself for future strategic growth opportunities, as well as achieving sustainable returns for shareholders.

The following table sets out the outcomes for the 2017 Financial Year for each Senior Executive who participated in the 2017 STI.

Percentage of available STI earned[1]

Senior Executives	STI earned (A$)	Percentage of target STI	Percentage of maximum STI
Current			
M Wright*	363,117[2]	141.6	94.4
S Camphausen*	395,753[3]	150	100
Former			
A Valderas*	1,457,704[4]	141.6	94.4
Á Muriel*	731,250[5]	150	100

* Where applicable, this table sets out the STI earned for each Senior Executive up until the date on which they ceased to be a Senior Executive. For newly appointed Senior Executives the table sets out the STI earned from the date they were appointed as a Senior Executive.

1. In consultation with the Remuneration and Nomination Committee, the threshold, target and stretch values for all of the financial KPIs are approved by the Executive Chairman.
2. Mr Wright was appointed as Deputy CEO on 24 August 2017. This amount represents the STI earned from this date. Mr Wright's STI award was approved by the Board, on the recommendation of the Remuneration and Nomination Committee, on 6 February 2018 and is payable in April 2018.
3. Mr Camphausen was appointed as CFO on 1 June 2017. This amount represents the STI earned from this date. Mr Camphausen's STI award was approved by the CEO, in consultation with the Executive Chairman, and endorsed by the Remuneration and Nomination Committee, on 6 February 2018 and is payable in April 2018.
4. Mr Valderas ceased employment with the Group in his role as CEO and Managing Director on 30 November 2017 immediately prior to moving onto a role with ACS Group. This pro rata STI award was approved by the Board, on the recommendation of the Remuneration and Nomination Committee, on 6 February 2018 and is payable in the normal course in April 2018.
5. Mr Muriel ceased employment with the Group in his role as CFO on 31 May 2017 immediately prior to moving onto a role with ACS Group. This pro rata STI award was approved by the CEO in consultation with the Executive Chairman, and endorsed by the Remuneration and Nomination Committee, on 6 February 2018 and is payable in the normal course in April 2018.

LTI

There was no LTI grant in 2017. The table below provides a summary of the 2015 LTI currently on foot.

Summary of 2015 LTI grants

Senior Executive participation	Messrs Wright, Camphausen, Valderas and Muriel participated in the 2015 LTI. Mr Fernández Verdes did not participate in the LTI.
What are the vesting conditions and why were they chosen?	Options will vest over a 2 year performance period, subject to the Senior Executive's continued employment with the CIMIC Group. The options have an in-built performance hurdle, being the exercise price of the options, meaning that at the time of exercise, the market price of CIMIC shares must be above the exercise price of the options before the Senior Executive can derive any benefit from the award. Details of the exercise price calculation are set out in 'Note 36: *Employee benefits*' to the Financial Report within this Annual Report. This structure was selected to provide participants with a clear line of sight as to the targets that must be satisfied, and a stronger alignment between individual performance and vesting outcomes, ensuring a Group-wide focus on sustained growth and Group prosperity.
When are the options available to exercise?	The options vest 2 years after the grant date, and are available to be exercised for a period of 3 years subject to the discretion of the Remuneration and Nomination Committee. The Senior Executive is permitted to exercise up to 40% of their vested options in each of the first 2 years after vesting and the remaining unexercised portion in year 3 of the exercise window. Any options that remain unexercised at the end of the exercise window (ie, 5 years after the grant date) will expire. The most recent options awarded, being the 2015 awards, vested in full in November 2017, with any vested options that remain unexercised expiring on 29 October 2020.
What are the methods of exercise?	In accordance with the terms of the award, the Company determined at vesting that all options available to be exercised in the first year after vesting (ie, up to 28 October 2018) will be paid in cash in lieu of an allocation of shares based on the current market price of shares at the date of exercise, less the exercise price and all applicable taxes and levies. The vested options available to be exercised in years 2 and 3 of the exercise window are expected to be settled by an allocation of shares.
Do the options attract dividends and voting rights?	The options do not carry any rights to dividends or voting. If the Company determines that shares are to be allocated upon the exercise of options, these will rank equally with other ordinary shares on issue.
What happens if there is a change of control?	If a change of control occurs, the Company in its discretion may determine whether, and the extent to which, any unvested options will vest or cease to be subject to restrictions (as applicable), having regard to all relevant circumstances including performance to-date and the nature of the change of control.

What if a Senior Executive ceases employment?	If a Senior Executive resigns or is summarily terminated, any vested but unexercised and any unvested option grants will lapse. Generally, if a Senior Executive leaves due to any other circumstances (eg, retrenchment, genuine redundancy or other special circumstances): - a *pro rata* portion of the Senior Executive's unvested options will remain on foot following his or her termination and vest subject to the original conditions of the award (with the balance lapsing); and - any vested but unexercised options held at the date of cessation of employment will remain on foot until the expiry date, subject to the same restrictions on exercise as if the Senior Executive had remained with the Group. In these circumstances, any entitlement on exercise will be paid in cash based on the current market price of shares at the date of exercise, less the exercise price and all applicable taxes and levies. The Remuneration and Nomination Committee retains authority to exercise discretion on leaver treatment for Senior Executives.
Can Senior Executives hedge their risk under the option plan?	No. The Group's Securities Trading Policy (consistent with the Corporations Act) prohibits Senior Executives from entering into hedging arrangements regarding both vested and unvested securities, which includes options.

REMUNERATION – Executive Chairman

POLICY AND APPROACH

The Board approves the Executive Chairman's remuneration arrangements following consideration by the Remuneration and Nomination Committee.

The Board considered Mr Fernández Verdes' roles as Executive Chairman of CIMIC, Chairman and CEO of HOCHTIEF AG and CEO of ACS Group and structured his remuneration arrangements differently from other Senior Executives, but consistent with the Group's remuneration framework and focused on achieving long-term financial returns.

COMPONENTS

In accordance with the terms of Mr Fernández Verdes' Executive Service Agreement (ESA), the key components of his remuneration are:

- an annual allowance as a contribution to his living expenses. Mr Fernández Verdes' ESA was re-negotiated in 2016 such that for 2017 (and any subsequent years), the allowance amount as set out in the table below is to be indexed in line with CPI changes:

Year	Fixed allowance amount (A$)	Reason
2016	522,132	Effective 1 January 2016 to accommodate 1.5% CPI increase
2017	528,920	Effective 1 January 2017 to accommodate 1.3% CPI increase
	508,855	Effective 1 April 2017 to accommodate a reduction in Fringe Benefits Tax
2018	518,124	Effective 1 January 2018 to accommodate 1.8% CPI increase

- a one-off award of Share Appreciation Rights (SARs) in 2014; and
- the payment of a discretionary bonus at any time during the course of employment.

Mr Fernández Verdes receives remuneration from HOCHTIEF AG in consideration for his employment as HOCHTIEF AG Chairman and CEO, and from ACS Group in consideration for his employment as ACS Group CEO. Details of this remuneration are available in the HOCHTIEF AG Annual Report at http://www.reports.hochtief.com and the ACS Group Annual Report at http://www.grupoacs.com/shareholders-investors/annual-report/.

Summary of one-off award to Mr Fernández Verdes

Mr Fernández Verdes was granted a one-off award of 1,200,000 SARs in 2014 in accordance with the terms of his ESA. As the SARs form part of his remuneration, they are granted at no cost to him. The SARs do not carry any rights to dividends or voting.

The SARs entitle Mr Fernández Verdes to receive a cash payment reflecting the increase in value of the share price of CIMIC from a base price of $17.71 (being the VWAP of fully paid ordinary shares in CIMIC traded on the ASX over the 30-day period before Mr Fernández Verdes' appointment as CEO on 13 March 2014) to the price at close of trading on the last trading day before the SAR is exercised, with a maximum payment per SAR of $32.29.

The SARs vested in full on 13 March 2016 and are exercisable for 3 years from the date of vesting. No more than 40% of the SARs can be exercised each year for the first 2 years after vesting, and any remaining SARs can be exercised in the final year of the exercise period.

The SARs will lapse on 13 March 2019 unless they have been exercised or forfeited before that date.

Mr Fernández Verdes would have forfeited any unvested or vested but unexercised SARs if he had ceased to be the CEO of CIMIC before 31 December 2014. Further, Mr Fernández Verdes would have forfeited any unvested or vested but unexercised SARs if he did not remain a member of either the Executive Board or the Supervisory Board of HOCHTIEF AG for the period from appointment to 13 March 2017. Mr Fernández Verdes will forfeit any unvested or vested but unexercised SARs if his employment is summarily terminated. If Mr Fernández Verdes had ceased employment with CIMIC prior to vesting but after 31 December 2014 in any other circumstance (ie, he was not summarily terminated) but remained a member of either the Executive Board or the Supervisory Board of HOCHTIEF AG, any unvested SARs would have remained on foot and vested and become exercisable in the ordinary course.

On 9 February 2017, Mr Fernández Verdes exercised 480,000 SARs (40% of the total number of SARs available to exercise in the first year after vesting) resulting in a gross cash payment of $10,147,200. The payment was calculated by reference to the CIMIC closing share price on 8 February 2017 of $38.85.

Effective 1 March 2017, the Board approved on 7 February 2017 to clarify the original intent and application of the exercise conditions in the terms of the one-off award in his ESA – by replacing the condition 'you are not able to exercise more than 40% of SARs in any one financial year' with 'following the vesting date, you will be able to exercise up to 40% of your vested SARs in each of the two periods of twelve months from the vesting date and any remaining vested but unexercised SARs may be exercised in the third period of twelve months following the vesting date'. This clarification has not resulted in any variation to the calculation of the fair value of the SARs pre and post clarification. The calculation of the fair value of the SARs has previously been based on the original intent of the award reflecting twelve month periods from the vesting date rather than by reference to financial years.

On 26 July 2017, Mr Fernández Verdes exercised 480,000 SARs (40% of the total number of SARs available to exercise in the second year after vesting) resulting in a gross cash payment of $11,673,600. The payment was calculated by reference to the CIMIC closing share price on 25 July 2017 of $42.03.

The current position with respect to the one-off award of SARs granted to Mr Fernández Verdes in the 2014 Financial Year are set out in the following table.

Grant date	Granted (number)	30-day VWAP at start of vesting period (A$)	Test date (vesting date)	Vested (%)	Forfeited (%)	Exercised (number)	Fair value per SAR[1] (A$)	Outstanding as at 31 Dec 2017 (number)	Total maximum potential value of remaining grant[2] (A$)
10 June 2014	1,200,000	17.71	13 March 2016	100	-	960,000	30.60	240,000	7,749,600

1. The fair value of the SARs is determined at the date of grant (in accordance with *AASB 2 Share-based payment*) and was re-evaluated on 31 December 2017. The amount included as remuneration expense in accordance with *AASB 2* is not related to, or indicative of, the benefit (if any) that Senior Executives may ultimately realise should the equity instruments vest.
2. The maximum potential value is calculated as the number of outstanding SARs multiplied by the maximum payment per SAR ($32.29).

COMPANY PERFORMANCE

As required by the Corporations Act, the 5 year financial performance of the Group has been set out in the following table.

Year-on-year performance snapshot

	Opening share price - Jan[1] (A$)	Closing share price - Dec[2] (A$)	Share price appreciation (%)	Dividend per share paid (A$)	TSR[3] (%)	EPS (A$)	PBT (A$M)	NPAT (A$M)	Return on equity (%)	Cash flow from operations (A$M)	Gross debt to equity ratio (%)
FY 2017	35.38	51.45	45.4	1.22	154.3	2.17	959	702	21	1,523	26.9
FY 2016	23.93	34.94	46.0	0.98	148.0	1.77	740	580	16	1,201	35.2
FY 2015	22.51	24.30	8.0	1.14	58.2	1.54	735	520	13	1,920	25.7
FY 2014[4]	16.28	22.50	38.2	1.17	36.3	2.00	1,131	677	19	1,410	79.2
FY 2013	17.90	16.11	(10.0)	1.05	(38.8)	1.51	736	509	17	1,115	65.5

1. Opening share price is determined as the market open price traded on the first trading day of the relevant financial year.
2. Closing share price is determined as the market close price traded on the last trading day of the relevant financial year.
3. TSR is determined over a rolling 3 year period.
4. The December 2014 amounts shown above include both continuing and discontinued operations.

STATUTORY SENIOR EXECUTIVE REMUNERATION TABLE

	SHORT-TERM EMPLOYEE BENEFITS					POST-EMPLOYMENT		SUBTOTAL
	Cash salary (A$)	Cash bonuses (STI) (A$)(a)	Special bonuses (A$)	Non-monetary benefits (A$)(d)	Other (A$)(e)(f)	Super-annuation benefits (A$)	Termination benefits (A$)	($A)
Senior Executives								
M Fernández Verdes								
2017 Financial Year	-	-	-	6,288	517,218	-	-	523,506
2016 Financial Year	-	-	3,000,000(b)	11,887	522,134	-	-	3,534,021
M Wright[1]*								
2017 Financial Year	538,068	363,117	-	-	6,000	7,119	-	914,304
2016 Financial Year	-	-	-	-	-	-	-	-
S Camphausen[2]*								
2017 Financial Year	465,856	395,753	-	-	-	11,659	-	873,268
2016 Financial Year	-	-	-	-	-	-	-	-
Former Senior Executives								
A Valderas[3]*								
2017 Financial Year	1,579,413	1,457,704	-	-	-	-	-	3,037,117
2016 Financial Year	1,250,000	1,631,250	-	2,216	-	-	-	2,883,466
Á Muriel[4]*								
2017 Financial Year	483,929	731,250	-	3,777	-	-	-	1,218,956
2016 Financial Year	1,000,000	1,125,000	225,000(c)	5,701	-	-	-	2,355,701

* Where applicable, this table sets out the payments and benefits to each Senior Executive up until the date on which they ceased to be a Senior Executive. For newly appointed Senior Executives the table sets out the payments and benefits from the date they were appointed as a Senior Executive.

1. Mr Wright was appointed as Deputy CEO on 24 August 2017 and his fixed remuneration set at $1,200,000 per annum effective from this date. On 1 December 2017, Mr Wright was appointed as CEO and Managing Director in place of Mr Valderas. Refer to ASX Announcement dated 1 December 2017 for a summary of Mr Wright's terms of employment and the 'Summary of Executive Services Agreements' section of this Remuneration Report for further information.
2. Mr Camphausen was appointed as CFO and became KMP on 1 June 2017 and his fixed remuneration set at $750,000 per annum effective from this date.
3. Mr Valderas was appointed as Alternate Director for Mr López Jiménez on 1 November 2017. Mr Valderas ceased employment from the roles of CEO and Managing Director on 30 November 2017 immediately prior to moving onto a role with ACS Group. Mr Valderas continues in his capacity as Alternate Director for Mr López Jiménez. This table sets out the payments and benefits to Mr Valderas as a Senior Executive up until 30 November 2017.
4. Mr Muriel ceased employment with the Group in his role as CFO on 31 May 2017 immediately prior to moving onto a role with ACS Group. Mr Muriel was appointed Alternate Director for Mr Sassenfeld effective 1 November 2017. This table sets out the payments and benefits to Mr Muriel as a Senior Executive up until 31 May 2017. The termination benefits comprised of statutory entitlements only. The Company determined that Mr Muriel would retain a portion of his 2015 LTI options prorated to the date of his cessation of employment in accordance with the terms of the grant.

LONG-TERM EMPLOYEE BENEFITS			TOTAL PAYMENTS AND ACCRUALS (A$)	PERCENTAGE OF BONUSES (%)[h]	PERCENTAGE OF SHARE-BASED INCENTIVE (%)[i]
SARs fair value (A$)[g]	**Share rights fair value (LTI and STI deferral) (A$)[g]**	**Options fair value (A$)[g]**			
9,845,536	-	-	10,369,042	-	-
13,712,646	-	-	17,246,667	17.4	-
-	(48,279)	104,486 (cash-settled) 12,080 (equity-settled)	982,591	37.0	7.0
-	-	-	-	-	-
-	(18,706)	35,987 (cash-settled) 4,161 (equity-settled)	894,710	44.2	2.4
-	-	-	-	-	-
-	(321,939)	759,947 (cash-settled) 182,312 (equity-settled)	3,657,437	39.9	17.0
-	182,236	181,952	3,247,654	50.2	11.2
-	(296,522)	423,769 (cash-settled) 90,393 (equity-settled)	1,436,596	50.9	15.2
-	167,849	132,674	2,656,224	50.8	11.3

(a) Amounts for the 2017 Financial Year represent cash STI payments to the Senior Executives for the 2017 Financial Year to be paid in April 2018.

(b) For Mr Fernández Verdes, this amount pertains to the special bonus payment approved by the Board on 3 December 2016. Neither Mr Valderas nor Mr Fernández Verdes participated in this Board meeting.

(c) This payment was awarded for his significant contribution and exceptional performance as CFO of CIMIC, and Chief Development Officer and Managing Director of Pacific Partnerships which was paid in April 2017.

(d) Non-monetary benefits included such items as fringe benefits and other salary-sacrificed benefits as agreed from time to time. For Mr Fernández Verdes, this amount pertains to transport benefits considered necessary by the Company in the execution of his duties.

(e) For Mr Fernández Verdes, the 2017 and 2016 Financial Year amounts pertain to the fixed allowance amount approved for 2017 and 2016 (respectively).

(f) For Mr Wright, this amount pertains to the living away from home allowance amount for 2017. Refer to the 'Summary of Executive Services Agreements' section of this Remuneration Report for further information.

(g) In accordance with the requirements of the Australian Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the 2017 Financial Year. For equity-settled awards, the fair value of equity instruments is determined as at the grant date and is progressively allocated over the vesting period. For cash-settled awards, the fair value is re-measured at each reporting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that Senior Executives may ultimately realise should the equity instruments vest. The fair value of equity instruments has been determined in accordance with AASB 2. Refer to the Financial Report, 'Note 36: *Employee benefits*' for further information.

(h) The percentage calculation is based on the sum of any cash bonus (STI and/or special bonus) amounts in the 2017 Financial Year as a percentage of total payments and accruals.

(i) The percentage of each Senior Executive's remuneration for the 2017 Financial Year that consisted of equity as a percentage of total payments and accruals.

FORMER SENIOR EXECUTIVES

For former Senior Executives who ceased employment in their applicable roles during the year, remuneration (including termination benefits where applicable) is reported in the Statutory Senior Executive Remuneration Table (refer above) for the period up until the date they ceased to be a Senior Executive.

Former Senior Executives

Name	Title (on date departed)	Change during the 2017 Financial Year
A Valderas	CEO and Managing Director	Appointed as Alternate Director for Mr López Jiménez on 1 November 2017. Ceased from the roles of CEO and Managing Director on 30 November 2017 immediately prior to moving onto a role with ACS Group. Mr Valderas continues in his capacity as Alternate Director.
Á Muriel	CFO, Chief Development Officer and Managing Director of Pacific Partnerships	Ceased employment with the Group in his role as CFO on 31 May 2017 immediately prior to moving on to a role with ACS Group. Appointed as Alternate Director for Mr Sassenfeld and became a member of KMP effective 1 November 2017.

SUMMARY OF EXECUTIVE SERVICE AGREEMENTS

Mr Fernández Verdes

The key terms of Mr Fernández Verdes' ESA are:

- an annual allowance as a contribution to his living expenses. Mr Fernández Verdes' ESA was re-negotiated in 2016 for 2017 and subsequent years with the same terms and conditions, but to reflect the change in his dual roles as CEO and Executive Chairman to Executive Chairman only. For 2017 and subsequent years, the allowance amount will increase in line with CPI changes;
- a one-off award of SARs in 2014 as described in the 'Remuneration – Executive Chairman' section of this Remuneration Report. Mr Fernández Verdes is not eligible to participate in the formal STI or LTI;
- provision for the payment of a discretionary bonus at any time during the course of employment, as per the variation to the ESA approved by the Board on 3 December 2016;
- either party may terminate the ESA, the period of notice being the minimum period required by applicable legislation;
- there is no specified term; and
- there are no specified payments to be made on termination (apart from any payments in lieu of notice and any payable statutory entitlements).

Other Senior Executives

Remuneration and other terms of employment for all other Senior Executives are formalised in ESAs.

The key terms of the ESAs for Senior Executives are:

Key terms of the ESA	Senior Executives		Former Senior Executives	
	M Wright	S Camphausen	A Valderas	Á Muriel
Annual review of remuneration	Yes	Yes	Yes	Yes
Length of notice period where either party is able to terminate the ESA	6 months	3 months	6 months	6 months
Specified term of employment	No	No	No	No
Specified payments on termination (apart from any payments in lieu of notice and any payable statutory entitlements)	No	No[1]	No	No
Any additional payments/allowances (apart from any fixed or variable remuneration)	Effective from 1 December 2017, a living away from home allowance of $72,400 per annum to cease on the earlier of 1 December 2019 or upon permanent relocation to Sydney	No	No	No
Restraint period to apply following termination	3 months	3 months	6 months	6 months

[1] For the purposes of calculating Mr Camphausen's long service leave entitlement, his prior service at HOCHTIEF will be recognised.

The ESAs also specify the remuneration mix that applies to a Senior Executive's remuneration package.

The entitlement of Senior Executives to unvested LTI awards on termination of their employment is dealt with under the plan rules and the specific terms of grant.

ENGAGEMENT OF REMUNERATION CONSULTANTS

No remuneration recommendations (as defined by the Corporations Act) were provided by any advisor.

NON-EXECUTIVE DIRECTOR REMUNERATION

The Non-executive Directors who held office during 2017 are set out in the following table.

Non-executive Directors during 2017

Name	Title (at 31 December 2017)	Change during the 2017 Financial Year
Current Non-executive Directors		
Russell Chenu	Independent Non-executive Director	
José-Luis del Valle Pérez	Non-executive Director	
Trevor Gerber	Independent Non-executive Director	
Pedro López Jiménez	Non-executive Director	
David Robinson	Non-executive Director	
Peter-Wilhelm Sassenfeld	Non-executive Director	
Kathryn (Kate) Spargo	Independent Non-executive Director	Appointed 20 September 2017
Current Alternate Directors		
Robert Seidler AM	Alternate Director for Mr del Valle Pérez	Ceased as Alternate Director for Mr Sassenfeld effective 31 October 2017. Continues in his capacity as Alternate Director for Mr del Valle Pérez.
Adolfo Valderas	Alternate Director for Mr López Jiménez	Appointed 1 November 2017
Ángel Muriel	Alternate Director for Mr Sassenfeld	Appointed 1 November 2017
Former Alternate Directors		
David Robinson	Alternate Director for Mr López Jiménez	Ceased 31 October 2017

SETTING NON-EXECUTIVE DIRECTOR REMUNERATION

Remuneration for Non-executive Directors is designed to ensure that the Group can attract and retain suitably qualified and experienced Directors. Fees are based on a comparison to the market for director fees in companies of a similar size and complexity.

In recognition of the additional responsibilities and time commitment of Committee Chairs and members, additional fees are paid to Directors for Committee membership.

With the exception of Mr Valderas and Mr Muriel, who continue to hold 2015 LTI options from their previous roles as Senior Executives, Non-executive Directors do not receive shares, options or any performance-related incentives.

Superannuation is payable to Australian-based Directors in addition to Board and Committee fees in accordance with compulsory Superannuation Guarantee requirements under Australian legislation.

FEE LEVELS AND FEE POOL

The Non-executive Directors fees remained unchanged since 1 January 2014 when there was an increase of the annual fees paid to the Committee Chair and members of the Audit and Risk Committee.

In consideration of the length of time since any increase to fees, on 6 February 2018 the Board approved an increase in all annual fees paid to Committee Chairs and members in line with the Consumer Price Index increase of 1.8% (all capital cities for September quarter 2016 to September quarter 2017) effective 1 January 2018.

Board and Committee fees for 2017 and 2018

	2017		2018[3]	
Name	**Chair[1] (A$)**	**Member (A$)**	**Chair[1] (A$)**	**Member (A$)**
Board	nil	185,000	nil	189,000
Audit and Risk Committee	55,000	30,000	56,375	31,000
Ethics, Compliance and Sustainability Committee	40,000	20,000	41,000	21,000
Remuneration and Nomination Committee	40,000	20,000	41,000	21,000
Special Committees[2]	3,850	3,850	4,000	4,000

1. Mr Fernández Verdes receives no additional remuneration from the fee pool for his duties as Executive Chairman (or membership of any Committee). Details of his remuneration for his role as Executive Chairman are set out in the 'Remuneration – Executive Chairman' section of this Remuneration Report.
2. This fee is payable to all Non-executive Directors for each day of service on a Special Committee.
3. These Board and Committee fees were approved by the Board on 6 February 2018 and effective 1 January 2018.

The aggregate annual fees payable to the Non-executive Directors for their services as Directors are limited to the maximum annual amount approved by shareholders in general meeting. The maximum annual amount is currently $4.5 million (including superannuation contributions), as approved by shareholders at the 2013 AGM.

ALTERNATE DIRECTORS

CIMIC does not pay fees for Board membership to Alternate Directors. Financial arrangements for Alternate Directors are a private matter between the Non-executive Director and the relevant Alternate Director.

NON-EXECUTIVE DIRECTOR TOTAL REMUNERATION

Details of Non-executive Directors' remuneration for the 2017 Financial Year and 2016 Financial Year are set out in the following table.

Non-executive Director Remuneration

	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	TOTAL REMUNERATION FOR SERVICES AS A NON-EXECUTIVE DIRECTOR (A$)
	Board and Committee fees (A$)	Other (A$)	Extra service fees[1] (A$)	Superannuation contributions (A$)	
Non-executive Directors					
R Chenu					
2017 Financial Year	280,000	-	-	19,832	299,832
2016 Financial Year	280,000	-	-	19,462	299,462
J del Valle Pérez					
2017 Financial Year	225,000	-	-	-	225,000
2016 Financial Year	225,000	-	-	-	225,000
T Gerber					
2017 Financial Year	275,000	-	-	19,832	294,832
2016 Financial Year	272,857	-	-	19,462	292,319
P López Jiménez					
2017 Financial Year	225,000	-	-	-	225,000
2016 Financial Year	222,857	-	-	-	222,857
D Robinson[2]					
2017 Financial Year	221,667	95,890[3]	-	28,942[4]	346,499
2016 Financial Year	216,389	95,890[3]	-	28,572[4]	340,851
P Sassenfeld[5]					
2017 Financial Year	215,000	-	-	-	215,000
2016 Financial Year	215,000	-	-	-	215,000
K Spargo[6]					
2017 Financial Year	58,609	-	-	5,553	64,162
2016 Financial Year	-	-	-	-	-

1. These amounts represent additional service fees payable to Non-executive Directors for service on a Special Committee.
2. Mr Robinson will receive a maximum benefit on retirement limited to his entitlement under the Non-executive Director Retirement Plan as if he had retired on 1 July 2008. This entitlement totals $363,495.
3. Mr Robinson received Director fees from a related party, Devine, in respect of his services as non-executive director of Devine.
4. These amounts are inclusive of $9,110 in 2017 and $9,110 in 2016 from Devine in respect of his services as non-executive director.
5. Mr Sassenfeld received no Director fees directly from CIMIC in respect of his services as Non-executive Director. The amounts in the table represent the payment by CIMIC to HOCHTIEF AG in respect of Mr Sassenfeld's services.
6. Ms Spargo was appointed as Independent Non-executive Director on 20 September 2017. This table sets out payments and benefits to Ms Spargo from the date of appointment.

ADDITIONAL EQUITY DISCLOSURES

This section provides additional information regarding KMP equity holdings as required by the Corporations Act and applicable Australian Accounting Standards.

MOVEMENT IN KMP SHAREHOLDINGS (DIRECTORS AND SENIOR EXECUTIVES)

The following table sets out the movement in KMP shareholdings (either direct or indirect) during the 2017 Financial Year.

Name	Balance at 31 Dec 2016	Purchases	Received on exercise of options/rights	Sales	Closing Balance[1]
Directors					
M Fernández Verdes	2,745[2]	-	-	-	2,745[2]
M Wright	-[3]	-	-	-	-
R Chenu	4,085	-	-	-	4,085
J del Valle Pérez	1,000[2]	-	-	-	1,000[2]
T Gerber	2,000	-	-	-	2,000
P López Jiménez	1,192[2]	-	-	-	1,192[2]
D Robinson	1,489	-	-	-	1,489
P Sassenfeld	1,858[2]	-	-	-	1,858[2]
K Spargo	2,000[4]	-	-	-	2,000
Alternate Directors					
R Seidler AM	2,341	-	-	-	2,341
A Valderas[5]	15,587	-	16,276	-	31,863
Á Muriel	14,991[6]	-	-	-	14,991
Senior Executive					
S Camphausen	-[7]	-	-	-	-
Former Senior Executive					
Á Muriel	-	-	14,991	-	14,991[8]

1. The closing balance is at 31 December 2017 or as at the date of departure as KMP.
2. These shares are held by the relevant director on trust for HOCHTIEF Australia.
3. The opening balance is at 24 August 2017 which was Mr Wright's date of appointment as Deputy CEO and KMP. Mr Wright was appointed as CEO and Managing Director on 1 December 2017.
4. The opening balance is at 20 September 2017 which was Ms Spargo's date of appointment as Independent Non-executive Director.
5. Mr Valderas was appointed as Alternate Director for Mr López Jiménez on 1 November 2017. Mr Valderas ceased employment from the roles of CEO and Managing Director on 30 November 2017 immediately prior to moving onto a role with ACS Group. Mr Valderas continues in his capacity as Alternate Director. Mr Valderas remained a member of KMP for the full 2017 Financial Year.
6. The opening balance is at 1 November 2017 which was Mr Muriel's date of appointment as Alternate Director for Mr Sassenfeld. Refer also to note 8 below.
7. The opening balance is at 1 June 2017 which was Mr Camphausen's date of appointment as CFO and KMP.
8. The closing balance is at 31 May 2017 which was the date Mr Muriel ceased employment with the Group in his role as CFO immediately prior to moving onto a role with ACS Group. Refer also to note 6 above.

MOVEMENT IN RIGHTS HELD BY KMP UNDER THE PREVIOUS LTI

Grants of share rights under the previous LTI were made to eligible Senior Executives in 2014 in accordance with the terms of their individual ESA. The awards were made subject to EPS and TSR performance conditions measured over a 3 year period, and remain on foot until the original vesting date. Full details of these awards can be found on pages 29 to 31 of the 2014 Annual Report.

The following table sets out the movement of share rights granted in previous financial years under the previous LTI.

Name	Award year	Balance at 31 Dec 2016 (number)	Granted (number)	Granted (fair value) (A$)	Vested and exercised[1] (number)	Vested and exercised[2] (value) (A$)	Lapsed (number)	Balance at 31 Dec 2017[3] (number)
Former Senior Executives								
A Valderas	2014	32,552	-	-	16,276	595,099	16,276	-
Á Muriel	2014	29,982	-	-	14,991	548,116	14,991	-

1. Following performance testing, the TSR hurdle was met and 100% of the TSR parcel vested on 14 March 2017. The EPS hurdle was not met and the EPS parcel did not vest. All unvested share rights lapsed on 14 March 2017.
2. The vested and exercised value is calculated by multiplying the number of vested rights by the volume weighted average price of shares of the 5 trading days from 14 March 2017 ($36.56).
3. See note 1.

MOVEMENTS IN OPTIONS HELD BY KMP UNDER LTI

Grants of options under the LTI were approved to be made to eligible Senior Executives in February 2016 as their 2015 LTI. On 28 October 2015, the Board approved the replacement of the previous performance rights based plan with an options based plan. The 2015 award represents the first grant under the new plan. Full details of the award can be found on page 63 of this Remuneration Report.

No options under the LTI were awarded for the 2017 year.

The following table sets out the movement of options granted in previous financial years under the current LTI.

Name	Award year	Balance at 31 Dec 2016[1] (number)	Vested[2] (number)	Vested[3] (value) (A$)	Exercised (number)	Exercised[4] (value) (A$)	Lapsed (number)	Lapsed[3] (value) (A$)	Balance at 31 Dec 2017[5] (number)
Senior Executives									
M Wright	2015	39,228	39,228	846,933	15,691	355,433	-	-	23,537
S Camphausen	2015	8,208	8,208	177,211	3,283	77,167	-	-	4,925
Former Senior Executives									
A Valderas[6]	2015	104,612	104,612	2,258,573	41,844	922,242	-	-	62,768
Á Muriel[7]	2015	76,280[8]	60,627	1,308,937	24,250	557,459	15,653	337,948	36,377

1. Where applicable, this table sets out the balance of options from the date they were appointed KMP if after 31 December 2016.
2. Following the assessment of vesting conditions, the 2015 award vested in full in November 2017.
3. These values are calculated by multiplying the number of options by the difference of the closing market price on 2 November 2017 ($49.12) and the exercise price ($27.53).
4. The exercised value is equivalent to the cash amount received upon the exercise of options.
5. These balances consist of vested options which are unexercisable at 31 December 2017.
6. Mr Valderas was appointed as Alternate Director for Mr López Jiménez on 1 November 2017. Mr Valderas ceased employment from the roles of CEO and Managing Director on 30 November 2017 immediately prior to moving onto a role with ACS Group. Mr Valderas continues in his capacity as Alternate Director for Mr López Jiménez. This table sets out the movements for the full 2017 Financial Year in which he remained a KMP for the full period.
7. Mr Muriel ceased employment with the Group and in his role as CFO on 31 May 2017 immediately prior to moving onto a role with ACS Group. Mr Muriel was appointed Alternate Director for Mr Sassenfeld and re-joined as a member of KMP effective 1 November 2017.
8. The opening balance is at 31 December 2016. There were no movements up until the date Mr Muriel ceased employment with the Group in his role as CFO on 31 May 2017. Therefore, the amount stated reflects the opening balance on the date Mr Muriel was appointed Alternate Director for Mr Sassenfeld and became a member of KMP effective 1 November 2017.

SHARES PURCHASED ON MARKET

The following shares were purchased on market in 2017 for the purpose of satisfying vested awards under the EIP:

	Shares purchased (number)	Average price paid per share (A$)
Ordinary shares	91,777	36.67

The CIMIC Group Limited Directors' Report for the 2017 Financial Year is signed at Sydney on 6 February 2018 in accordance with a resolution of the Directors.

Marcelino Fernández Verdes
Executive Chairman

Photo: Kidston Solar Farm, Queensland, Australia, UGL.

Sustainability Report

Sustainability Report

MEASURING PERFORMANCE AGAINST OUR SUSTAINABILITY COMMITMENTS AND TARGETS

COMMITMENT **Target**	**FY2017 Result**	**Performance Commentary**	**Target Date**
SAFETY			
Zero work-related fatalities	●	No fatalities recorded	Annual
Reduce Class 1 injuries	●	2 Class 1 injuries versus 3 in 2016	Annual
Reduce potential Class 1 injuries	●	Reduced from 138 to 103	Annual
Reduce TRIFR[1]	●	Reduced from 2.7 to 2.6	Annual
Safety management systems in place	●	All Operating Companies certified to ISO 18001 and/or AS/NZ 4801	Annual
INTEGRITY			
No serious breaches of Code of Conduct	●	No serious breaches recorded	Ongoing
Maintain Group-wide Code training	●	18,870 employees received training	Ongoing
CULTURE			
Undertake Group-wide employee engagement surveys of staff	●	Approx. 12,500 staff surveyed in 2017, all wages employees to be surveyed in 2018	Dec 2017
Roll out 'One' leadership program	●	Conducted workshops across all Australian key states and Hong Kong for 550 participants	Ongoing
Train and develop future leaders	●	Graduate Program cohort intake increased from 137 to 174	Ongoing
Promote gender equity	●	Graduate Program features an above-industry female participation rate of 22% for the 2017 cohort. Conducted Group-wide pay equity review and implemented remediation actions.	Ongoing
Promote diversity	●	4,587 employees undertook face-to-face EEO, Discrimination, Bullying and Harassment training	Ongoing
Foster female participation	◉	Positive results across most of the Group	Ongoing
INNOVATION			
Increase IS[2] rated projects	●	Delivered or worked on 19 (versus 16 in 2016)	
Delivering sustainable returns	●	Economic value retained of $805m in 2017	Ongoing
Further develop knowledge capture through iPKL	●	Increased number of projects on which data captured from 1,500 to more than 1,950	Ongoing
Utilise technology in delivery of projects	●	Increased use of BIM and GIS. Achieved internationally renowned BSI Kitemark certification for application of BIM in design and construction.	Ongoing
ENVIRONMENT			
No Level 1 or 2 environmental incidents	◉	No Level 1 incidents reported. 10 level 2 incidents reported.	Annual
No legal breaches, fines or penalties	○	4 legal breaches resulting in fines	Annual
Environmental management systems in place	●	100% of Operating Company management systems certified to ISO 14001	Annual

● Achieved ◉ Partly achieved ○ Not achieved

[1] Total Recordable Injury Frequency Rate.
[2] The Infrastructure Sustainability (IS) rating scheme is Australia's only comprehensive rating system for evaluating sustainability across design, construction and operation of infrastructure. Refer to www.isca.org.au.

ABOUT THIS SUSTAINABILITY REPORT

Sustainability is integral to the creation of value at CIMIC and has four key elements:
- delivering reliable returns to our shareholders so they continue to support and invest in the Group;
- building and maintaining a reputation with clients for the successful delivery of projects and services, and being recognised as their contractor of choice;
- providing safe, rewarding and fulfilling careers so we have a workforce capable of, and motivated to, successfully deliver projects and services in the future; and
- developing a reputation with stakeholders as a creator of positive legacies and as a good corporate citizen.

Our approach is derived from, and based on, our Principles – Integrity, Accountability, Innovation and Delivery – underpinned by Safety. They provide a common unifying bond for our people and set the framework for the behaviours of our people. The Principles uphold our mission which is to maximise long-term value for shareholders by sustainably delivering projects for our clients while providing safe, rewarding and fulfilling careers.

CIMIC's sustainability objectives are to:
- develop a culture where employees understand the important role of sustainability and integrate these factors into business decisions to meet the needs of clients and stakeholders;
- be recognised as the industry leader in delivering sustainable projects and services which develops customer loyalty, facilitates the winning of new/repeat work and leaves positive legacies for stakeholders;
- constantly innovate to improve efficiency and reduce waste thereby lowering costs, improving our value proposition and growing client loyalty; and
- be recognised as an employer of choice which helps to attract, engage, motivate and retain employees.

This Sustainability Report section of the Annual Report is structured around five sustainability themes; safety, integrity, culture, innovation, and environment. These themes provide the framework for addressing CIMIC's sustainability commitments and performance.

STRUCTURE OF THE SUSTAINABILITY REPORT

REPORTING APPROACH

CIMIC Group is committed to operating sustainably and reporting on our ESG performance and progress. This unaudited Sustainability Report, integrated into our Annual Report, demonstrates both that commitment and how deeply embedded sustainability is in our business. This report, prepared using the GRI Sustainability Reporting Standards, has not been externally assured. It is our intention over the next few years to continually improve our disclosure and engagement so as to achieve fully compliant GRI reporting.

This Sustainability Report utilises a number of case studies which are identified by their breakout boxes. These case studies are used to highlight examples of current sustainability practices, to demonstrate the diversity of the Group's activities, and to reinforce that acting sustainability often creates value.

For the financial year ended 31 December 2017, we have utilised the Global Reporting Initiative (GRI) Sustainability Reporting Standards framework for the preparation of this Sustainability Report. By doing so we aim to generate reliable, relevant and standardised information with which our stakeholders can assess our opportunities and risks, and enable more informed decision-making – both within the business and externally. The GRI index can be found on pages 153 - 156.

REPORT BOUNDARY AND SCOPE

This Sustainability Report is for the 12-month period to 31 December 2017, unless otherwise noted. The scope of this Sustainability Report covers CIMIC Group Limited and its Operating Companies which include, amongst others:
- CPB Contractors;
- Leighton Asia, including Leighton India and Leighton Offshore;
- Thiess;
- Sedgman (a wholly owned subsidiary of the Company since 13 April 2016);
- UGL (a wholly owned subsidiary of the Company since the acquisition was completed on 20 January 2017);
- Pacific Partnerships;
- EIC Activities; and
- Leighton Properties.

The scope of this Sustainability Report does not include the operations of CIMIC Group's investments where CIMIC Group does not have 100% ownership, namely (as at 31 December 2017):
- Devine: CIMIC owns a 59% stake in the listed property development company;
- Ventia: CIMIC holds 47% of an investment partnership for the merged services business of CPB Contractors and Thiess; and
- HLG Contracting: CIMIC holds a 45% share in the Middle East-based construction company.

RECOGNITION OF THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

CIMIC recognises the global commitment of governments and businesses to the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs). Our commitment is reflected in CIMIC's Sustainability Policy which notes that 'the Group will abide by the principles of the UN Global Compact and acknowledges its role in contributing to the UN Sustainable Development Goals.'

The SDGs are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. They include 17 'Global Goals' (as per the table below) with 169 identified targets. The SDGs have been spearheaded by the United Nations through a deliberative process involving its 193 Member States.

Some of the 17 SDGs are more relevant to CIMIC's business than others. A review of the SDGs and the 169 targets[3], based on CIMIC's exposure to, or ability to directly or indirectly influence these goals and targets shows that 41 - as per the following table - are relevant to CIMIC. Goals or targets that have direct relevance to CIMIC are denoted with a tick (✓) while those indirectly relevant to CIMIC are denoted by a dot (•). Directly relevant would, for example, include the SDG's target to substantially increase water-use efficiency (i.e. SDG 6) across all sectors. As CIMIC Group is a substantial user of water, this has obvious direct relevance. Indirectly relevant may, for example, include situations when governments adopt goals or targets that may have some application to CIMIC's activities. This could include adoption of a goal or target to build educational facilities (i.e. SDG 4) which may present the Group with investment and construction opportunities.

Sustainable Development Goals and targets relevant (directly and indirectly) to CIMIC

End poverty in all its forms everywhere
- Non applicable

End hunger, achieve food security and improved nutrition and promote sustainable agriculture
- Non applicable

Ensure healthy lives and promote well-being for all at all ages
- ✓ By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- ✓ By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.
- ✓ By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.
- ✓ By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development.
- • Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all.

Achieve gender equality and empower all women and girls
- ✓ End all forms of discrimination against all women and girls everywhere.
- ✓ Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation.
- ✓ Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.

Ensure availability and sustainable management of water and sanitation for all
- ✓ By 2030, improve water quality by reducing pollution, eliminating dumping and minimising release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.
- ✓ By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.
- ✓ By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes.
- ✓ Support and strengthen the participation of local communities in improving water and sanitation management.

Ensure access to affordable, reliable, sustainable and modern energy for all
- • By 2030, increase substantially the share of renewable energy in the global energy mix.
- ✓ By 2030, double the global rate of improvement in energy efficiency.

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- ✓ Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.
- ✓ Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.

[3] From the 'Report of the Inter-Agency and Expert Group on Sustainable Development Goal Indicators (E/CN.3/2017/2): Revised list of global Sustainable Development Goal indicators'.

- ✓ Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

- ✓ Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.
- By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

Reduce inequality within and among countries

- ✓ Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.

Make cities and human settlements inclusive, safe, resilient and sustainable

- By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
- By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.
- ✓ Strengthen efforts to protect and safeguard the world's cultural and natural heritage

Ensure sustainable consumption and production patterns

- Implement the 10-Year Framework of Programmes on Sustainable Consumption and Production Patterns, all countries taking action, with developed countries taking the lead, taking into account the development and capabilities of developing countries.
- ✓ By 2030, achieve the sustainable management and efficient use of natural resources.
- ✓ By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment.
- ✓ By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
- ✓ Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.
- Promote public procurement practices that are sustainable, in accordance with national policies and priorities.

Take urgent action to combat climate change and its impacts

- Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

Conserve and sustainably use the oceans, seas and marine resources for sustainable development

- ✓ By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution.

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

- By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.
- By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.
- By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world.
- ✓ Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species.

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

- ✓ End abuse, exploitation, trafficking and all forms of violence against and torture of children.
- ✓ Substantially reduce corruption and bribery in all their forms.
- ✓ Develop effective, accountable and transparent institutions at all levels.
- ✓ Ensure responsive, inclusive, participatory and representative decision-making at all levels.
- ✓ Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements.
- ✓ Promote and enforce non-discriminatory laws and policies for sustainable development.

Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

- Non applicable

This Sustainability Report references the SDGs, with relevant logos, when the goals and targets align with CIMIC's sustainability commitments and reporting.

MATERIAL ISSUES

DEFINING MATERIAL ISSUES

In 2015 and 2016, CIMIC undertook materiality assessments to identify and confirm the important potential economic, environmental, social and governance issues that could affect the business, both positively and negatively. The process involved interviews with senior management from across the Group and ESG analysts at broking firms, an assessment of media reports about the Group, reviews of client sustainability reports, and reference to recent sustainability reporting submissions such as the Dow Jones Sustainability Index and CDP (formerly the Carbon Disclosure Project).

The identified material issues were set out in the stand-alone 2015 Sustainability Report and updated in the Sustainability Report section of the 2016 Annual Report. The 39 material issues identified are again used in this 2017 Annual Report as a framework for discussion of those issues that the Group believes are most material and of interest to stakeholders. The material issues, the relevant GRI Standard they refer to and section of the Annual Report or chapter of the Sustainability Report (and page/s) in which they are addressed, are set out in the table below:

Material issues (by ESG factors)	Applicable GRI Standard	Section/Page number
Economic		
Availability of funding for future infrastructure projects given government budget constraints and competing demands	General Disclosures	OFR[4]
Changes in economic factors (regulation, government policy, new technology, availability of capital, etc) that could impact capital productivity	General Disclosures	OFR
CIMIC Group's ability to deliver projects that meet the needs of its clients	Customer Health and Safety	Innovation, 134
Continuing population growth, greater urbanisation, and the future growth of China and India	General Disclosures	OFR
Growth in renewable energy supply potentially leading to a decline in demand for thermal coal and the impact on contract mining opportunities	General Disclosures	Innovation, 135; Environment, 149
Growth in demand for renewable energy and the impact on construction opportunities	General Disclosures	Innovation, 135
Increased globalisation and a more competitive business environment	General Disclosures	OFR
Increased sovereign/political risk and Australia's attractiveness as an investment destination	General Disclosures	OFR
Environment		
Dealing with climate change threats and opportunities, developments in government's emissions policies and reducing carbon emissions	Emissions, Economic Performance	Environment, 135, 143 - 146
Ensuring legal compliance with all environmental regulations and avoiding reputational liabilities	Environmental Compliance, Effluents and Waste	Environment, 142 - 143
Improving energy efficiency on projects, in the supply chain and in corporate activities	Energy	Environment, 143 - 146
Minimising the use of materials (e.g. concrete, steel, packaging) and working with the supply chain to reduce environmental impacts	Materials	Environment, 148
Protecting biodiversity and ecosystem health (including erosion and sediment management) when delivering projects	Biodiversity	Environment, 149
Reducing the production of hazardous and non-hazardous waste	Effluents and Waste	Environment, 146
Reducing the consumption and wastage of water	Water, Effluents and Waste	Environment, 147 - 148

[4] OFR – Operating and Financial Review section of this Annual Report.

Governance

Aligning remuneration with performance to encourage and reward the creation of shareholder value	General Disclosures, Employment	Integrity, 118
Balancing transparency in disclosing information for investors while not giving away commercial advantage	Public Policy, Marketing and Labelling, Customer Privacy	Integrity, 101 - 103
Collaborating with industry not-for-profits to generate shared value	General Disclosures	Innovation, 131
Encouraging free, fair and open competition, and complying with all applicable competition laws	Anti-competitive Behaviour	Integrity, 102
Ensuring compliance in overseas markets when operating across different cultures and languages	Anti-corruption, Anti-competitive Behaviour, Socioeconomic Compliance	Integrity, 99 - 102
Ensuring environmentally and socially responsible sourcing and governance factors are integrated into procurement processes	Supplier Environmental Assessment, Supplier Social Assessment	Integrity, 103 - 104
Impact of changes in local or regional political or regulatory regimes that may impact business development and project delivery	General Disclosures	OFR
Managing risk across a diverse and complex range of markets and geographies	General Disclosures	Innovation, 133 - 135
Payment of a fair rate of company tax and disclosure of the payments made	Economic Performance	Integrity, 102

Social

Application of appropriate labour standards where people are treated fairly and with respect	Non-discrimination, Freedom of Association and Collective Bargaining, Human Rights Assessment	Integrity, 109 - 111,
Attracting, developing and retaining employees to meet the evolving needs of the business	Employment, Labour/ Management Relations, Training and Education	Culture, 109 - 114, 118
Availability of a skilled and trained workforce that can deliver projects and manage the business	Employment, Training and Education	Culture, 111 - 114; Innovation, 129
Avoidance of all forms of bribery and corruption including facilitation payments	Anti-corruption, Public Policy	Integrity, 99 - 101
Avoidance of all forms of child or forced labour in the supply chain	Child labour, Forced or compulsory labour, Human Rights Assessment	Integrity, 110
Changes in social factors (government policy, industrial relations, new technology, etc) that could impact labour productivity	General Disclosures	OFR
Contributing to the development of local communities who can affect or be affected by the Group's activities	Local Communities, Indirect Economic Impacts	Integrity, 107, 117
Creating safer and healthier workplaces for the well-being of employees and all those in the Group's care	Occupational Health and Safety	Safety, 86 - 96
Encouraging a culture of innovation where people are continually looking for new and better ways of doing things	Training and Education	Innovation, 124 - 136
Ensuring the safety of the public while delivering projects	Customer Health and Safety	Safety, 96
Fostering a more diverse workforce that reflects the communities in which the Group operates	Employment, Diversity and Equal Opportunity	Culture, 114, 115, 116, 117
Providing local communities with full, fair and reasonable opportunity to participate in the economic benefits (i.e. employment, procurement, or as subcontractors) of the Group’s activities	General Disclosures, Procurement Practices, Indirect Economic Impacts	Integrity, 107, 117
Promoting gender equity in remuneration and promotion decisions	Employment, Diversity and Equal Opportunity	Culture, 115
Respecting the rights of local communities when delivering projects for clients	Rights of Indigenous Peoples, Local Communities	Integrity, 104, 106
Supporting corporate community investment (i.e. sponsorship, donations and corporate partnerships) in local communities and society	Indirect Economic Impacts	Stakeholders, 105

It is our intention to extend our engagement to other stakeholders as we progress on the sustainability journey.

AVAILABILITY OF INFORMATION

In 2014, the Group commenced a significant operational transformation, establishing dedicated, streamlined and efficient businesses focused on construction (CPB Contractors and Leighton Asia), mining services (Thiess), public private partnerships (Pacific Partnerships), and engineering (EIC Activities). Given this transformation, a number of comparable operational safety and environmental performance measures are not available prior to 2015. Where comparable data is available, it has been provided.

Additionally, in 2016 CIMIC acquired the resources engineering company Sedgman and, in early 2017, completed the acquisition of diversified services company UGL. Information for Sedgman has been aggregated from 2016 and for UGL from 2017. In future reports, the Group expects to be able to provide more detailed operational performance measures by Operating Company.

SUMMARY OF GROUP PERFORMANCE

CREATING SHAREHOLDER VALUE		2017	2016	2015	2014	2013
Human Capital Return on Investment[5]	#	1.30	1.33	1.28	1.01	1.12
Revenue per person	$k	355.5	380.1	475.0	459.6	401.9
Labour (revenue) productivity	$m/MhW	85.1	88.6	101.3	66.5	91.0

SAFETY		2017	2016	2015	2014	2013
Total fatalities	#	0	3	1	3	5
Of which: Australia	#	0	1	1	3	1
International	#	0	2	0	0	4
Total Class 1 Injuries	#	2	3	2	5	9
Of which: Australia	#	1	1	1	1	2
International	#	1	2	1	4	7
TRIFR	TRIs/MhW	2.64	2.74	3.3	3.8	5.7
Lost Time Injury Frequency Rate	LTI/MhW	1.07	1.00	0.92	1.08	1.27
Potential Class 1 incidents	#	103	138[6]	192	333	469
Million hours worked	MhW	157.8	122.4	131.0	252.5[7]	247.4

INTEGRITY		2017	2016	2015	2014	2013
Employees undertaking formal, on-line Code training	#	18,870	9,624	4,334	N/A	N/A
Continuous Disclosure breaches	#	0	0	0	0	0
Significant breaches of Code	#	0	0	0	-	-

CULTURE		2017	2016	2015	2014	2013
Total direct employees	#	37,779	35,394[8]	28,078	36,512[9]	55,990
Total employees[10]		51,001	50,874	-	-	-
Personnel costs	$m	3,530	2,432	3,059	4,363	5,908
Payroll ratio[11]	$k/employee	93.4	85.2	109.5	119.5	105.5
Average tenure of employment	years	3.4	3.1	3.0	3.9	4.0
Number of new hires	#	23,511	12,564	-	-	-
Of which: Male	#	22,324	11,816	-	-	-
Female	#	1,187	748	-	-	-
Total turnover numbers and rate[12]	# / %	20,909 / 56.0	12,850 /46.0	42.7	56.5	25.6
Of which: Male staff (voluntary)	# / %	1,426 / 11.8	871 / 9.7	-	-	-
Female staff (voluntary)	# / %	483 / 4.0	304 / 3.4	-	-	-
Of which: Male staff (involuntary)	# / %	919 / 7.6	1,135 / 12.6	-	-	-
Female staff (involuntary)	# / %	241 / 2.0	270 / 3.0	-	-	-
Females on the Board	# / %	1 / 12.5	0[13] / 0	1 / 12.5	1 / 12.5	2 / 20
Females in the workforce	%	9.3	9.3	9.4	12.3	12.2
Females in senior management	%	10.5	9.1	14.3	10.2	12.9
Indigenous employees in Australia	#	889[14]	161	294	720[15]	821
Indigenous employees in Australian workforce	%	2.7[14]	2.0	3.9	3.2	2.9
Local participation in International workforce	%	93.9	97.7	96.8	-	-

[5] Total Revenue less Total Operating Expenses less Total Employee Related Costs (TERC) divided by TERC. As reported to DJSI.
[6] 2016 and 2017 result includes UGL's performance, for comparison purposes, following the acquisition although CIMIC did not control UGL during 2016. On a like-for-like basis, excluding UGL the 2017 Potential Class 1 figure would be 67 and the 2016 figure would be 98.
[7] As of 31 December 2014 the numbers of employees including the discontinued operations of JHG and Ventia was 45,214. See note below.
[8] For the purposes of environmental, safety and other ratios based on people numbers or hours, the base is 28,535 employees which excludes UGL as of 31 Dec 2016 as the Group did not have control during the year and does not report UGL's operating performance.
[9] Reflects total employees from continuing operations as at 31 December 2015; total employees including continuing operations was 45,214 – 22,355 in Australia and 22,859 in the Group's international operations.
[10] Total employees includes both direct employees of CIMIC Group and a proportion of the headcount of indirect employees from investments as follows: HLG Contracting (45%), Devine (59%) and Ventia (47%) as at 31 December 2017.
[11] Total personnel costs divided by the total number of direct employees. For 2014, the ratio is based on continuing operations and total employees of 36,512. Ratio is distorted because it includes redundancy cost and most of the redundancies occurred in the second half of the year, thereby inflating the ratio. For 2013, ratio is based on continuing operations, restated to match 2014.
[12] Given that a large proportion of the workforce is hired on a project basis, overall employee turnover rates are not an effective method to measure staff retention. Therefore, turnover rates including only permanently employed staff has been provided.
[13] CIMIC had one female Director until 10 November 2016.
[14] Number and percentage for, and from, 2017 includes employees and subcontractors reflecting increased data capture.
[15] Includes Indigenous employees of JHG and Services until 2014.

INNOVATION		2017	2016	2015	2014	2013
Cumulative green buildings completed	#	65	63	57	46	34
Cumulative ISCA[16] certified and rated projects	#	19	16	12	6	2
Green Standard project registrations	#	5	7	14	27	8
Green Standard project certifications	#	7	19	14	29	12
Green Standard employee certifications	#	54	57	41	-	-

ENVIRONMENT			2016	2015	2014	2013
Total Level 1 incidents	#	0	0	0	0	0
Total Level 2 incidents	#	10	6	4	18	21
Of which: Australia	#	8	5	2	16	19
International	#	2	1	2	2	2
Total Level 3 incidents	#	497	520	820	1787	1997
Of which: Australia	#	462	493	782	1528	1857
International	#	35	27	38	259	140
Total Breaches	#	15	10	4	12	3
Of which: Australia	#	9	9	2	11	2
International	#	6	1	2	1	1
EIFR[17]	No/MhW	0.06	0.05	0.03	0.14	0.08
Violations with fines >$10k	#	2	0	0	0	1
Value of fines related to above	$k	30	0	0	0	15
Energy consumption - Diesel	GWH	8,569	7,722	7,477	12,224	12,605
Energy consumption - Electricity	GWH	145	94	109	269	244
Energy consumption - Other[18]	GWH	75	13	75	233	174
Total energy consumption	GWH	8,790	7,820	7,661	12,726	13,023
Energy intensity[19]	GWH/$m	0.65	0.72	0.58	0.76	0.58
% change on prior period		*-9%*	*24%*	*-24%*	*31%*	-
Energy consumption (NGER)[20]	TJ	1.2	0.8	1.4	2.6	2.7
Water use (withdrawals and re-use)	ML	11,466	12,664	11,935	-	-
Of which: Withdrawals	ML	7,414	7,239	6,837	-	-
Reuse	ML	4,052	5,425	5,098	-	-
Water discharges	ML	476	1,668	3,957	-	-
Water intensity[21]	ML/$m	0.86	1.17	0.90	-	-
GHG emissions - Scope 1[22]	kt.C02-e	2,202	1,964	1,913	3,191	3,172
GHG emissions - Scope 2	kt.C02-e	128	89	93	219	210
GHG emissions - Scope 3	kt.C02-e	1,653	2,666[23]	3,497	4,731	-
Carbon intensity[24]	kt.C02-e/$m	0.17	0.19	0.15	0.20	0.15
% change on prior period		*-8.2%*	*25.3%*	*-25.6%*	*35.2%*	-
GHG emissions - Scope 1 (NGER)[25]	kt.C02-e	68.3	45.3	77.4	153.2	206.2
GHG emissions - Scope 2 (NGER)	kt.C02-e	53.5	32.9	72.1	92.5	128.5
Level of assurance of NGER data	Type	Limited	Limited	Limited	Limited	Limited
Total material volumes[26]	kT	3,990	4,842	4,077	5,951	-

[16] Infrastructure Sustainability Council of Australia.
[17] Environmental Incident Frequency Rate (EIFR) is total number of Level 1 and Level 2 environmental incidents per million hours worked. 2014 EIFR excludes John Holland and Ventia.
[18] 2013 excludes solid fuels from Leighton Asia, India and offshore operations.
[19] Energy intensity is 'Total energy consumption' divided by 'Total revenue from continuing operations'.
[20] As reported to the Australian Government Clean Energy Regulator under the *National Greenhouse and Energy Reporting Act 2007* (NGER Act), includes energy consumption from the operation of facilities under the Group's operational control.
[21] Water intensity is 'Total water use' divided by 'Total revenue from continuing operations'.
[22] For 2013 and 2014, period is to 30 June and includes John Holland and Ventia. For 2015, the period is to 31 December and includes internal reporting of emissions regardless of who has operational control of facilities.
[23] Scope 3 emissions have been adjusted for the 2016 year when they were previously over-stated.
[24] Carbon intensity is 'Total Scope 1' and 'Total Scope 2' emissions divided by 'Revenue from external customers.
[25] As reported to the Australian Government Clean Energy Regulator under the NGER Act, includes greenhouse gas emissions from the operation of facilities under the Group's operational control.
[26] Materials includes John Holland and Ventia for 2014.

SAFETY

OUR APPROACH

CIMIC is committed to minimising harm in workplaces, promoting physical and mental health, and protecting the public. Providing a safe and healthy workplace is a core value of the CIMIC Group. We depend entirely on our people and must keep them safe. Like the clients, communities and governments with which we work, CIMIC expects health and safety to be a key aspect of our operations. Health and safety is a priority for CIMIC Group's Board and Executive Leadership Team[27], and we continue to invest in the culture, systems and innovations to keep our people safe.

We hold ourselves to a consistently high standard of health and safety wherever we operate, regardless of the regulatory requirements and the operating environments in which we work. In order to achieve this standard, we must strive to continually improve our performance.

Minimising harm in workplaces	
Measures in place	▪ 100% of Operating Company management systems certified to ISO 18001 and/or AS/NZS 4801 ▪ Safety Essentials (or similar) in place across CPB Contractors, Leighton Asia, Thiess, Sedgman and UGL, providing the systems, procedures and knowledge to manage highest risk activities ▪ focus on 'above-the-line' controls used to eliminate, substitute, isolate or engineer out risk ▪ Thiess' Health Safety & Security management system is available in Spanish, English, Bahasa (Indonesian) and Mongolian representing the main languages across the global mining business ▪ safety materials at Leighton Asia are formatted to use simple illustration and diagrams to overcome different languages and relatively low levels of literacy ▪ each Operating Company has a comprehensive rehabilitation and 'Return to Work' program
Actions taken during 2017	▪ CIMIC review of investigation processes to improve how we are learning from PC1 incidents and to better mitigate risks ▪ CPB Contractors implemented Safety Essential campaigns – Working Near Live Services and Managing Work in and Around Mobile Plant ▪ CPB Contractors developed Safety Essential campaigns – Mobile Elevating Work Platform (MEWP) and associated videos ▪ Leighton Asia implemented mandatory one-day safety leadership training for senior managers in the Hong Kong supply chain, to enhance focus on subcontractor/supplier safety ▪ Leighton Asia developed a frontline job hazard analysis tool to manage safety risks which includes a series of simple step-by-step illustrated instructions on the required controls ▪ Thiess developed an international travel safety and security module delivered by e-learning ▪ Thiess implemented Geotechnical Safety Essential, and reinforced governance on mine site dam structures ▪ Thiess leadership Chairs the Minerals Council of Australia Industry Health & Safety Committee, and the Queensland Resource Council Health & Safety Committee
Performance	▪ no fatalities recorded ▪ reduced Group TRIFR from 2.7 in 2016 to 2.6 in 2017 ▪ CPB Contractors' Torrens Road to River Torrens project (T2T Alliance) recognised with the CCFSA[28] inaugural Healthy Workers Healthy Futures Award ▪ CPB Contractors and the Hong Kong business unit, within Leighton Asia, achieved reductions of 25% and 30% respectively in their total recordable injury frequency rates across 2017 ▪ Leighton Asia received a Gold Award for Temporary Works Excellence on the Hong Kong Boundary Crossing Facilities' Passenger Clearance Building ▪ CPB Contractors granted accreditation as Rail Infrastructure Manager and Rolling Stock Operator by the Office of the National Rail Safety Regulator ▪ safety engagement score of 88% in employee survey a strong indicator of safety culture
Promote physical and mental health	
Measures in place	▪ Health and Safety Policy which promotes employee physical and mental well-being
Actions taken during 2017	▪ conducted initiatives to improve employee health and well-being including participation in; 'Mates in Construction' mental well-being and support, heart health promotion in Thiess, 'RU OK Day' events and 'World Health Day' at Thiess ▪ Thiess introduced a broad focus on the prevention of occupational illnesses by completing a company-wide baseline risk assessment across all projects. Key focus areas

[27] Means CIMIC's Board and all Operating Company Boards and all individuals holding the position of Executive General Managers within the Group.
[28] Civil Contractors Federation of South Australia.

	▪ included improvements in testing for and management of dust as well as the musculoskeletal disorders and mental health ▪ Sedgman's employee wellness programs included flu shots, skin checks, team step challenges and group fitness classes, as well as initiatives to raise awareness of mental health
Performance	▪ safety engagement score of 88% in employee survey a strong indicator of safety culture
Protect the public	
Measures in place	▪ public safety integrated into Safety Essentials and at design phase of projects
Actions taken during 2017	▪ numerous, project-by-project initiatives tailored to manage risks as appropriate
Performance	▪ no incidence of injury to any member of the public or other external stakeholder

MINIMISING HARM IN WORKPLACES

CIMIC is committed to eliminating all fatalities and serious injuries at all workplaces and aims to create workplaces with a culture that focuses on safety and productivity, while also enhancing the wellbeing of our teams. This means ensuring that everyone - subcontractors, clients, suppliers and visitors are treated with the same degree of care as our employees. We treat all workers on our sites equally, irrespective of their role.

We also monitor the potential for any occupational illnesses that the Group's activities may cause and seek to mitigate any impacts. If an injury or illness does occur, CIMIC works to identify the causes, prevent recurrence and provide rehabilitation opportunities to achieve the earliest safe return to work and normal daily routines.

Our focus areas are: continuing to strengthen our health and safety risk management systems, in particular our critical risk management programs, instilling a strong safety culture, and improving the health and wellbeing of our teams. In 2017, CIMIC undertook an employee engagement survey which asked about the Group's safety culture, amongst a range of other subjects. More detail on the safety related responses can be found in the section - 'Visible leadership' - on page 109 within the Culture chapter.

Strong risk management systems ensure that safety is paramount. Through our risk management systems, we aim to systematically identify, assess and control risks in the design, planning and implementation of the projects we deliver. Identified risks are eliminated or where elimination is not possible, mitigated as far as reasonably practicable through 'hard' engineering controls[29].

Given the changing nature of our work and the diversity of our workplaces, maintaining high safety standards and awareness is essential to our people and our business. We have a safety first culture across the Group, one that does not tolerate uncontrolled safety risk. Leadership, training and communication, in addition to rigorous risk management systems, underpin our robust safety culture. Each of our major Operating Companies maintains management systems that are certified to ISO 18001 and/or AS/NZS 4801.

Fatalities

No fatalities were reported in 2017. While we are pleased by this outcome we remain conscious that our employees work in high risk industries. We remain focussed on critical risk identification and the implementation of critical risk management strategies. This includes the use of training, education, audits, workplace inspections and the ongoing in field verification of critical controls to ensure our teams are not exposed to uncontrolled risk.

Other injuries

There were 2 Class 1 Injuries (C1I) reported during 2017, both on construction projects: the first in Queensland, and the second in India. Investigations into the causes of these events were completed which identified a range of actions that were communicated and adopted, with the objective of eliminating the risk of recurrence in the future.

The Group's preferred lag measure is to capture Recordable Injuries (RI)[30] and to calculate our Total Recordable Injury Frequency Rate (TRIFR)[31], which reflects the average number of recordable injuries per Million hours Worked (MhW). The Group recorded a TRIFR in 2017 of 2.64, down from 2.74 in 2016.

TRIFR (TRIs/MhW)	**2017**	**2016**
Group	2.64	2.74

[29] Controls used to eliminate, substitute, isolate or engineer out the risk from causing harm.
[30] Any occurrence that results in a fatality, permanent disability, lost time injury, restricted work injury, and medical treatment injuries. It does not include first aid injuries.
[31] For the purposes of this report, TRIFR is calculated on a base of 1,000,000 hours worked. It is noted that some regions, such as the USA and Canada, use a base of 200,000 hours worked for frequency rate calculations. For comparability with a 200,000 hour base, divide the rates reported by 5.

Innovative demolition gantry results in incident-free work area
CPB Contractors' project team on the CityLink Tulla Widening project in Victoria was required to demolish 1.1km of concrete barrier tail to expose the existing bridge and drill 9000 dowel holes. All work had to be performed above a busy fast-food outlet, live traffic and three tram routes. Instead of using an elevated work platform, the project team developed a 49-meter-long, self-driving demolition gantry.

While similar working platforms have been used before, this initiative pushed the boundaries introducing new innovations, including:
- extending the demolition gantry to make it the longest of its kind ever used in Australia;
- bunding the platform to provide water capture and recycling;
- automatically moving track from behind the platform to in front; and
- using a diesel generator to self-power the platform, instead of relying on winching or hauling.

The self-driving gantry not only produced significant savings and reduced the construction program by two months, but eliminated community impacts and provided reduced safety risks while maintaining the safe operation of a freeway.

The Group records the number of Lost Time Injuries (LTI's)[32] which are a widely-recognised metric and the Lost Time Injury Frequency Rate (LTIFR)[33] is used as a lag indicator of injury prevention performance to benchmark across industries. In 2017, the Group' LTIFR was steady at 1.0, based on 169 LTIs.

LTIFR (accidents/MhW)	2017	2016
Group	1.07	1.00

Fits like a glove: reducing cut hand injuries in UGL
Analysis of the high number of 'cut hand' injuries recorded on UGL's Structural, Mechanical and Process (SMP) contract at the Ichthys LNG plant in Darwin revealed traditional approaches to hand safety were not as effective as they could be. The project team developed and implemented a safety campaign to raise awareness of 'cut hand' injuries by taking an entirely new look at the Personal Protective Equipment (PPE) used on-site. The team's simple matrixed process, termed the 'One Glove' initiative, aimed to reduce the risk of hand injuries involved in certain tasks by using colour coding to match the correct glove type for the tool or task.

The 'One Glove' initiative:
- reduced the incidence of cut hand injuries on the project;
- raised awareness that big, bulky gloves do not automatically provide cut protection;
- improved the comfort, dexterity and safety of the glove types worn on the project;
- increased the use of tools in the field, eliminating the risk of placing hands in 'the line of fire';
- reduced the number of gloves used onsite from 27 to seven, delivering cost savings;
- offers the ability to improve hand safety in other operating environments, across geographies and in the wider construction industry; and
- identified the need for a glove to be developed to prevent/minimise crush injuries.

The 'One Glove' initiative has used an image-based matrix that matches coloured gloves with tools or tasks enabling frontline teams to: understand the correct levels of hand protection for the most common tasks on the project; select the right glove for the task or tool; and improve their approach to hand safety.

[32] An occurrence that results in a fatality, permanent disability or time lost from work of one day/shift or more.
[33] Accidents (defined as LTIs on the previous page) per million hours worked (MhW).

Compliance

During 2017, with the exception of the 2 C1Is, there were no material incidents of non-compliance with regulations and/or voluntary codes.

The prosecution from the February 2015 fatality at the Dawson South coal mine in Queensland was finalised. A $150,000 fine was incurred without a conviction. The prosecution from the 2012 Collinsville coal mine drill fire incident in Queensland was also finalised, with a fine of $95,000 imposed without a conviction. Both matters are now closed.

Lead indicators

The Group uses lead indicators of safety performance to identify and help prioritise where effort is needed in order to reduce the potential for injury to people. Lead indicators, used in this way, become important tools for risk avoidance and minimisation across any business.

A key indicator that the Group measures is identifying and investigating Potential Class 1 injuries (PC1). A PC1 is an incident that may have resulted in a fatality or a permanent disabling injury. The total number of PC1 injuries decreased by 35 in 2017 to 103, this result included the performance of UGL, following the acquisition of that company. On a comparable basis, excluding UGL, the number of reported PC1s would have reduced from 98 to 67.

PC1 (#)	2017	2016
Group	103	138

A range of other lead indicators are used across the Group which are tailored to their specialist businesses. Looking forward, the Group is investigating ways that it can use its data to develop better predictive indicators of potential incidents.

Safety in construction

Each of CIMIC's Operating Companies has safety management systems that, while similar in their approach, are tailored to meet each individual Operating Companies' risks and hazards.

For CPB Contractors, managing these critical risks is an absolute priority that is undertaken through the Safety Essentials, which are a collection of minimum requirements that are focused on providing projects with the standards, procedures and knowledge to manage activities that pose the greatest risk to our people. The Safety Essentials cover activities such as:

- electrical work – managing the risk of electric shock;
- live services – risk of working with live services such as power, electricity, gas, water and petroleum;
- live traffic – where there is a risk of being struck by live traffic, or project activities impacting on passing vehicles or pedestrians;
- mobile cranes and lifting operations – when working with mobile plant that is used to lift, suspend and/or carry, and lower a load;
- mobile plant – where the public or workers risk being struck by operating mobile plant; and
- working at heights – where there is a risk of a worker falling or an object falling from height.

Essential to tackle safety when working in and around mobile plant

Following last year's campaign concentrating on working at heights, CPB Contractors launched a campaign in 2017 to reinforce the requirements for working in and around mobile plant. Items of mobile plant, such as trucks, excavators, cranes and utilities are constant features of projects and the hazards they pose must be recognised and safely managed.

The requirements for working in and around mobile plant were highlighted across projects in the campaign, focusing on the following five key essential behaviours:

- to stay outside the plant operating zone;
- to positively communicate before entering the plant operating zone;
- that plant movement is halted before entering the plant operating zone;
- that everyone stays inside pedestrian walkways; and
- to remain behind a barrier when refuelling.

The campaign was presented by leaders at pre-start meetings, with posters featuring a QR code providing access, through mobile devices, to a video showing practical examples of how to safely operate in and around mobile plant.

In response to a fatality in 2016 at the new Royal Adelaide hospital, CPB Contractors has developed a campaign around the Safety Essential - mobile cranes and lifting operations. A video was developed to promote safe work practices for Mobile Elevating Work Platforms. EIC Activities has also developed a scissor lift guarding system using solid state phased array lidar[34] to engineer out the risk of crush injuries. This system will progressively be introduced to other Group construction sites throughout 2018.

[34] Lidar is a surveying method that measures distance to a target by illuminating that target with a pulsed laser light, and measuring the reflected pulses with a sensor.

Our Leighton Asia business has developed a series of Class One Practices (COPs). Similar in nature to CPB Contractors' Safety Essentials, the COPs cover the high risk activities carried out at project sites, such as:

- working at heights – risks associated with working at heights including falling objects and working above the ground;
- lifting operations – risks associated with crane operations, safe working loads and rigging requirements;
- isolation and hazardous energies – risks associated with electricity, chemicals, kinetic energy and mechanical energy;
- vehicle and mobile plant movement – risks associated with the interactions between workers and plant, and between plant; and
- temporary works – risks associated with temporary works such as form work and scaffolding.

COPs build on the application of minimum standards and set best practice for controlling safety hazards and risks associated with the Leighton Asia business.

Innovative hanging scaffold structure provides safe working environment

Hong Kong's Express Rail Link - West Kowloon Terminus Station North project - features a dramatic curved roof structure above the station entrance. One of the challenges faced by the construction team was to provide access to the roof structure for cladding works in a tight space. The team consulted experienced scaffold designers and suppliers from the United Kingdom to build a scaffold structure suspended from the roof.

This innovative solution brought substantial benefits in terms of safety, project progress and cost including:

- building the scaffold structure on the ground, before it was winched up into specific location, minimised high risk, working at heights tasks;
- allowing internal roof cladding works and architectural finishes on the atrium levels to be carried out simultaneously, enabling the team to start work six months early; and
- saving the use of 59,000m3 of standard system scaffold which delivered a significant reduction in cost to the project.

In view of the success at the project, Leighton Asia adopted the same design to complete works on an internal roof at the Passenger Clearance Building for the Hong Kong-Zhuhai-Macao Bridge project.

One of the biggest challenges facing Leighton Asia is the communication of safety standards and process control to nationals. Leighton Asia currently operates in India, Hong Kong, Philippines, Singapore, Indonesia and Malaysia and has the challenge of communication in many different languages, including English, Chinese (Cantonese & Mandarin), Hindi, Tamil, Bahasa (Indonesian) and Tagalog. In addition to the challenges with Language, there are relatively low literacy rates across many of the regions in which we operate.

In order to overcome these challenges, Leighton Asia has been very active in recent years with the simplification of many of the 'frontline safety tools' and the development of safety standards and process with the 'end-user focus' in mind. This has resulted in many of the traditionally text-heavy documents being reformatted and now using simple illustrations, diagrams and more simplified wording.

Managing class 1 risks at Leighton Asia

Leighton Asia has developed a key frontline risk management tool – the Job Hazard Analysis (JHA) process for engineers and supervisors. The JHA effectively manages Class 1 risk activities through the clear identification and implementation of task-specific control measures.

The JHA includes a series of simple, step-by-step, illustrated instructions on the required controls as stipulated within the construction method statements and our business procedures and standards for the management of Class 1 risk. It ensures that both the ownership of specific work activities, and the accountability for implementation of specific control measures and safety standards, are clearly assigned and communicated to our engineers and frontline supervisors. The JHA is also used as the primary tool for communication at task launch meetings and field control briefings in order to clearly communicate task-specific construction methods and work sequences, potential Class 1 risks, and their associated control measures.

The JHA process is a simplified tool, which has been developed with the end-user in mind so as to ensure all supervisors and our workforce fully understand, and are aligned to, our approach in achieving safe productivity on our projects. The JHA is also used by management, supervisors and engineers as a simple verification tool in order to spot check and ensure compliance with our safety standards and controls at the frontline.

Leighton Asia's 'Strive for L.I.F.E' initiatives, such as the Strive for L.I.F.E training centres, reinforce the COPs. Since opening in 2010, 122,740 Leighton Asia employees have completed training courses through the Strive for L.I.F.E. training centres.

Safety in mining and minerals processing

Thiess' Safety Essentials describe clear minimum requirements for high-risk activities in mining and are mandatory for all Thiess sites. They comprise non-negotiable critical controls and core procedures, and are produced in English, Spanish, Bahasa (Indonesian) and Mongolian. The Safety Essentials globally cover higher risk activities such as:

- explosives – safe transportation, use, security and disposal of explosives;
- geotechnical – ensuring ground movement is managed;
- heights – working safely at heights;
- isolation – ensuring energy sources are identified and positively isolated;
- lifting – working safely with cranes and other lifting equipment;
- traffic – safe operation and interaction of all light, medium and heavy vehicles on-site and to ensure infrastructure is designed, constructed and maintained; and
- tyres – working safely with tyres and tyre handling equipment.

Improving safety while servicing haul trucks

Conventional methods for maintaining the differential link bearings on Thiess' CAT 793F haul trucks require several crane lifts, hot works and multiple manual handling tasks to be performed over two working shifts per truck. With four bearing change cycles on average each month, there was an opportunity to significantly reduce risk to people, by lowering the amount of repetitive, higher-risk manual work, which would reduce equipment downtime and increase production potential.

The truck maintenance team at the Solomon iron ore mine set themselves the challenge of reducing risk in the service process. The team designed and developed a site-first, bespoke service bench that immediately eliminated all but two lifts and removed the need for hot works and significantly reduced manual handling, all of which avoided hazards before they could result in an injury. The bench has enabled the service task to be completed in half the time, far more safely, and enabled further maintenance improvements by freeing up work hours. Work hours have dropped from 72 hours per task to 30 hours. This has reduced equipment downtime by almost 50%, creating approximately 12 hours of increased production potential per truck, per change.

Portable tyre blast barrier delivers safety and efficiency gain

At Thiess' Balikpapan support facility, the maintenance team sought to innovate to minimise downtime related to tyre work, whilst upholding the highest safety standards.

The solution was to fabricate a portable tyre blast barrier which replaced the previously used tyre safety cage. The barrier allows the on-board inflation of a tyre, so maintenance personnel no longer need to remove a tyre to inflate it. Using this new portable tool, downtime has halved, to 30 minutes, getting a machine back into normal operation faster and ensuring personnel are protected in the event of a tyre bursting.

The Sedgman 'Critical Controls' were rolled out in 2016. These describe clear minimum requirements for high risk activities and are mandatory for all Sedgman sites. Sedgman's 'Critical Controls' cover the following material risk activities:

- hazardous / stored energy
- operating energised equipment
- working at heights
- lifting activities and suspended loads
- dropped objects
- mobile plant, vehicles and pedestrians
- entanglement and crushing
- confined space entry
- excavations
- hot work activities
- working in hot or cold environments
- hazardous substances
- working on or entering a stockpile
- working over or adjacent to water

Critical Controls include measures to ensure safe processes/systems and operating practices are in place, and that they are integrated into model procedures. Sedgman is committed to the principles of 'Safety in Design' using HAZOP[35] workshops, among other tools, to ensure potential hazards are identified and addressed at the design stage.

Horizontal conveyor crumple zone

Sedgman employees at an iron ore mine in Western Australia have devised a low-cost, zero maintenance solution to the risks associated with cable breakage on a conveyor take-up. Horizontal conveyor take-ups store huge amounts of potential energy. In the event of a wire cable breakage, this potential energy is transferred into kinetic energy due to the elasticity in the conveyor belt. This has the potential to slingshot the trolley into the structure causing major damage or serious injury. Sedgman's innovation fits a 'crumple zone' in the trolley's path that is able to absorb this kinetic energy safely.

[35] Hazard and Operability study (HAZOP) - a structured and systematic examination of a complex planned or existing process or operation in order to identify and evaluate problems that may represent risks to personnel or equipment.

Safety in services

To address UGL's greatest exposures to fatal or permanently disabling injuries, the company has developed the Critical Risk Control (CRC) Protocol. The CRC Protocol outlines the mandatory minimum standards required to achieve a step change across UGL's business, specifically defining how to identify, eliminate or manage critical risks. The CRC Protocols cover the following critical risks:

- working at height
- operation of mobile plant
- working in confined spaces
- excavation and trenching
- cranes and lifting operations
- energy isolation
- working with electricity
- managing traffic
- handling and storage of hazardous chemicals
- working with asbestos
- working in and around the rail corridor
- movement of rolling stock

Reducing potential finger injuries with valve testing cage

A key responsibility of UGL's maintenance team at the Blackwater coal handling preparation plant in Queensland involves removing and testing the valves that connect water and compressed air pipes throughout the plant. The team identified the potential risk of finger injuries while testing the valves. Team members designed, built and fitted a cage to prevent hand injuries. The cage protects employees during valve testing and has eliminated the potential risks of manual handling injuries caused by pinch, crush points or uncontrolled valve movements.

Occupational illnesses

CIMIC is committed to monitoring the potential for occupational illnesses that Group activities may cause, and seeks to mitigate any impacts. An occupational illness is a work-related condition or disorder caused predominantly by repeated or long-term exposure to an agent(s) or event(s). The most likely types of occupational illnesses at the Group's major Operating Companies include hearing loss, dermatitis or other skin irritations and musculoskeletal disorders, such as long term back or neck conditions.

Each project/workplace is required to maintain a record of all injuries or occupational illnesses that are new cases and that were work related. In 2017, Group Operating Companies reported 15 instances of occupational illnesses which related to musculoskeletal disorders and dermatitis. This generated an OIFR[36] of 0.09 for CIMIC Group.

CIMIC Operating Companies have comprehensive occupational health and monitoring programs in place to ensure adequate assessment and control of the health hazards associated with the working environment.

Managing asbestos as a hazard

CPB Contractors has a comprehensive suite of tools to support the management of asbestos hazards. Any task that involves working with asbestos is defined as a High Risk Construction task. A Safe Work Method Statement must be developed, approved and included into the relevant work pack/s. The key principles of dealing with these hazards are:

- eliminate the risk by removing it;
- substitute the hazard and replace with a safer option;
- isolate the hazard by guarding or enclosing it;
- engineer the hazard by modifying equipment of the work process;
- administrative controls which include policies, procedures, training, etc; and
- providing personal protective equipment.

Removal or disposal of asbestos, including demolition, is undertaken in accordance with the applicable regulatory provisions and by personnel trained in the appropriate safe work methodologies.

Australia's rates of skin cancer are the highest in the world and due to the outdoor nature of construction and mining activity, employees are at risk. The Group's Operating Companies provide PPE to reduce the risk including long sleeve shirts, broad-brimmed hats, safety-rated sun glasses and sun cream. CIMIC has also worked with, and supported, the Cancer Council of Australia to promote sun awareness and maintaining a healthy lifestyle.

[36] Occupational Illness Frequency Rate: the number of occupational illnesses reported per million hours worked.

Rehabilitation

Each of the Group's contracting companies has a comprehensive 'Return to Work' program which seeks to identify and provide rehabilitation opportunities for injured employees so they can be reintegrated into the workforce where possible. The program outlines our commitment to assisting injured workers remain at work, or return to work safely and as soon as possible, following a workplace injury or illness.

Getting back to work is an important step in recovering from a work-related injury and often means an employee has also returned to a normal life, reducing the financial and emotional impact on them and their family. Returning to work may mean going back to their old job, being placed on alternate duties, working reduced hours or moving into another role. All of these options will be considered as part of an injury management strategy.

Rehabilitation in India

On a Leighton Asia project in India, a worker was pinned by a load which fell due to a mechanical failure. Tragically, this resulted in the worker's lower legs having to be amputated.

A welfare assistance package was immediately put in place for the worker and his family, and a comprehensive rehabilitation and support plan developed. This included trauma counselling, post-hospital discharge, convalescing accommodation, medical review timelines, compensation review and a prosthesis plan leading into 2018.

PROMOTE PHYSICAL AND MENTAL HEALTH

CIMIC actively supports initiatives that help employees to achieve or maintain physical and mental health. We are committed to promoting healthy activities and encouraging people to undertake regular health assessments. Our approach also provides employees and their families with free, voluntary and confidential access to an Employee Assistance Program (EAP) to facilitate the resolution of personal and work related issues.

CIMIC's 'Fit for work + Fit for life' health initiative aims to promote the steps that all employees can take to:

- achieve or maintain physical and mental health;
- avoid or better manage both physical and mental health conditions such as fatigue, depression and anxiety; and
- provide care and support for ourselves and others.

Sedgman team step challenge knows no limits

From Shanghai to Santiago, Vancouver to Middlemount, Sedgman employees stepped it out for four weeks in February and March 2017 as they took part in the inaugural team step challenge. A total of 156 employees in 28 teams participated by monitoring their steps (or participating in other forms of exercise) and competing to see which team would travel the furthest.

The results were impressive with the winning team, Shanghai Devils, contributing an average of 461,658 steps. This is the equivalent of 372km per person. Gary Whitby of the K22 Paper Jam team from the Perth office contributed the greatest distance, an impressive 565km which is more than 20km per day.

The goal of the challenge was to kick-start a healthy 2017 by encouraging Sedgman employees to increase their levels of physical activity. The team structure of the activity meant participants encouraged and inspired their colleagues. Teams commented that working towards a common goal forged teambuilding and stronger relationships with their colleagues.

'Fit for work + Fit for life' is about employees looking after themselves and looking out for others. The Group's intranet provides information on a range of health and mental health topics and how to get support. It includes links to the Group's health related policies, the Employee Assistance Program, and information about specialists including beyondblue, Lifeline, Mates in Construction and Mates in Mining.

Across the Group in 2017, activities have included:

- executive briefings with beyondblue, one of Australia's leading mental health support specialists;
- Australian managers training in physical and mental health protective factors;
- peer support training; and
- promoting campaigns such as R U OK and White Ribbon Day.

Support for 'R U OK Day?'

On 14 September 2017, teams from across CIMIC Group were encouraged to participate by asking each other "Are you OK?" or holding an R U OK? Day event. The day reminds employees that they can help to create a work environment where they are all connected and protected from suicide.

Suicide prevention organisation R U OK?, as part of a concerted campaign, has been urging workmates to support one another. Given safety and risk aversion is at the heart of Fly-In, Fly-Out work practices, the campaign is a much needed reminder that identifying well-being concerns in the workplace is not as obvious as identifying physical danger.

Employers and business leaders are being urged to do more to foster workplace cultures that encourage peer-to-peer conversations about wellbeing. CIMIC Group is pleased to support this initiative.

R U OK Day? resources including posters, presentations and videos were made available on intranets. Across the Group, many projects and workplaces held morning teas or barbecues where personal experiences and industry statistics were shared to foster workplace cultures that encourage peer-to-peer conversations about wellbeing.

CIMIC offers access to an EAP, a free, voluntary and confidential employee assistance program available 24/7 to all CIMIC Group employees and their immediate families. The aim of the EAP access is to assist with the resolution of personal and work related issues which may affect work performance or quality of life. An external counselling service, Gryphon Psychology (or their global affiliate in overseas markets) provides short-term personal counselling. Gryphon Psychology counsellors are recognised for their professional qualifications and experience in the provision of employee assistance programs.

PROTECT THE PUBLIC

CIMIC is committed to ensuring the health and safety of anyone who may be exposed to the Group's activities. This commitment and care extends to clients, suppliers, surrounding communities and the public, which can include passing motorists, passengers of public transport and pedestrians.

Infrastructure and building projects are being developed in densely populated urban areas. Safety is incorporated into design and results in the installation of prevention measures such as safety and crash barriers, as well as road or rail closures if necessary. Engineering solutions include variable speed signs, realigned traffic lanes, auto flaggers, physical barrier guards and truck mounted attenuators.

UGL develops safety device for rail car passengers

UGL is a leading manufacturer of rail passenger carriages, and safety is integral to the engineering solution provided by UGL. After a Government inquiry into a NSW rail accident, teams in UGL's Rail and Technology Systems divisions responded to a recommendation from the inquiry that passengers must be able to self-initiate emergency escape from a train and collaborated to develop an Internal Emergency Door Release (IEDR) safety device. The door release system can be activated by passengers in the event of an emergency, and onboard rail crews can also monitor and operate it.

Retrofitting networked equipment onto trains can be expensive and difficult but the customised IEDR safety device meets stringent customer requirements and can be cost-effectively retrofitted to existing trains. Teams in two UGL divisions collaborated to develop the IEDR safety device. The UGL Rail and Defence team contributed knowledge in rail car construction and installation, and the Technology Systems team contributed expertise in safe system design, electronics design, software and product manufacturing.

Across the Group, projects and workplaces are required to prepare and maintain detailed 'Emergency Response Plans' to ensure that arrangements are in place to effectively respond to foreseeable emergencies. 'Emergency Response Plans' must be developed and put in place to:

- minimise injury and damage;
- minimise harm to the environment; and
- preserve the businesses operability and reputation.

The 'Emergency Response Plans' underpin more externally focused 'Crisis Management Plans' which coordinate any necessary Group crisis response, and ensure appropriate Group capabilities are in place to respond if required.

OUTLOOK AND FUTURE PLANS

We are committed to our people returning home safely at the end of a day's work. In 2018, we plan to:

- maintain a consistent and unwavering focus on critical risk management and the application of critical risk controls;
- focus on reducing the occurrence of C1 and PC1 incidents through:
  - ensuring each past incident is effectively investigated;
  - putting in place hard controls where possible to ensure that similar incidents do not occur across the Group; and
  - reviewing the controls put in place in response to C1 and PC1 incidents to measure their effectiveness;
- continue to identify and manage the risk of occupational illnesses;
- upgrade our Synergy Health & Safety Database and implement across all major operating companies;
- develop and improve on evidence-based lead indicators; and
- consolidate and simplify our safety systems across the CIMIC Group.

In CPB Contractors:

- roll out a MEWP safety campaign using the new video;
- grow our capacity to deliver safe outcomes in partnership with our subcontractors by enhancing the pre-commencement meetings prior to starting on site and conducting quarterly subcontractor forums at a project level;
- enhance the level of training provided to people delivering pre-start talks so as to deliver consistent and effective safety messaging;
- create an investigations Community of Practice (CoP) to improve the quality of incident investigations; and
- review and enhance occupational health programs, especially with regard to processes to manage the exposure to silica in tunneling operations.

In Leighton Asia:

- develop new lead metrics to measure and track success of the 'Starts with me' campaign;
- develop personalized KPI's for each business leaders/senior manager to track their performance with leadership walks, and attendance at safety meetings, workshops, forums and events;
- arrange a pilot supply chain partnering workshop with senior managers of key suppliers in Asia to create greater engagement; and
- conduct business wide occupational health exposure risk assessments to determine specific health risks associated with construction activities and ensure specific mitigations strategies are correctly implemented.

In Thiess:

- develop a Stress Strain Index to facilitate the early identification of increased risks at project level;
- increase connectivity and the transfer of safety processes through the use of 'tough tablets' in the workplace;
- utilise 'tough tablets' to communicate video 'How to Guides' for key critical controls;
- utilise 'tough tablets' to support the data collection required for ALFA ('Ask, Listen, Find-out and Act') programs;
- implement the Occupational Hygiene Standard that was developed to address identified health and hygiene risks; and
- relaunch the 'Our HSE Culture Framework' utilising the CIMIC standard.

In UGL:

- reduce risk of fatalities by aligning key safety tools (such as Safe Work Method Statements, Safety Conversation, Take5) to critical risks and developing, and delivering, online training packages for the top six critical risks;
- deliver a health and safety summit to roll out the 2018 health, safety and environment plan, and to build health and safety leadership skills and alignment; and
- improve Health Safety Environment and Quality (HSEQ) systems with the implementation of the Group's common system – Synergy.

In Sedgman:

- review the Critical Controls and Golden Rules, and merge and rebrand to Safety Essentials to align with other Operating Companies', including the development of new materials to assist the rollout to frontline employees, contractors, supervisors and site management teams;
- develop and implement a targeted coaching program of front line leaders i.e. project managers, project engineers, production/maintenance coordinators and supervisors, to increase the focus on health and safety;
- refresh and roll out leadership and behavioural elements of the COMPASS program with an updated online refresher program developed and implemented;
- promoting 'Fit for Work, Fit for Life' including: identifying latent manual handling hazards and developing risk mitigation strategies, including identifying potential engineering solutions to minimise the risk; offering health program such as flu shots, skin checks and the team step challenge; and implementing improved management of the occupational exposure to dust, particularly coal dust;
- improving HSEQ systems with the implementation of the Group's common system – Synergy; and
- utilise an IT platform to improve the efficiency and effectiveness of site based sub-contractor management processes and procedures.

INTEGRITY

OUR APPROACH

We expect our people to act with integrity and honestly and respectfully with their colleagues, and in all relationships with the Group's stakeholders including our clients, suppliers, shareholders and the community.

The Group Code of Conduct sets the foundation for the way we work every day. The Code of Conduct supports our Principles – Integrity, Accountability, Innovation and Delivery, underpinned by Safety - and outlines the standards of behaviour we expect, regardless of Operating Company, role or country.

This Code of Conduct applies to CIMIC directors, all employees of the Group, and all alliances and joint ventures in all jurisdictions. The Group seeks to have third parties engaged by the Group agree to abide by their own code (containing equivalent standards of behaviour) or, if they do not have one, the Group Code of Conduct.

Where the Code of Conduct or a policy sets higher standards of behaviour than local laws, rules, customs or norms, the higher standards will apply. The Code of Conduct provides a framework, but cannot describe every situation, law or policy that may apply. We expect our people to exercise good judgement, justify their actions, and try to prevent any breaches. We refreshed the Code of Conduct in 2015 to make it easier to read and deployed new online training to employees at the end of 2016. The Code of Conduct training has been translated into local languages to reflect the communities in which we operate.

Zero tolerance for bribery and corruption	
Measures in place	▪ Code of Conduct available to all employees supported by Group Code of Conduct – Management, Monitoring and Reporting Policy which includes comprehensive protection for whistleblowers ▪ Anti-Bribery and Corruption Policy; Gifts and Hospitality Policy; Dealing with Third Parties Policy; Approval to Operate Internationally Policy ▪ Group-wide independent Ethics Line available for reporting
Actions taken during 2017	▪ ensured Code of Conduct available to all UGL employees following the takeover ▪ 18,870 employees undertook formal Code training
Performance	▪ no instances of significant fines or sanctions for non-compliance with Australian and international laws and regulations during the year ▪ no significant breaches of Code of Conduct ▪ 26 calls made to the 'Ethics Line', all matters were dealt with internally by the Reportable Conduct Group, under the supervision of the Ethics, Compliance and Sustainability Committee ▪ in the employee engagement survey, a key highlight was the extent to which employees rated their manager as "a great role model of the Principles"
Operate honestly and transparently	
Measures in place	▪ Continuous Disclosure Policy; Privacy Policy; Record Retention Policy; Securities Trading Policy
Actions taken during 2017	▪ made 102 announcements and disclosures via ASX
Performance	▪ no breaches of continuous disclosure ▪ Group is unaware of any substantiated complaints regarding breaches of privacy or other matters by clients or other stakeholders
Support sustainable procurement	
Measures in place	▪ Procurement Policy and Procedures which integrate sustainability commitment; Dealing with Third Parties Procedure ▪ Sustainability Policy commits Group to integrating environmentally and socially responsible sourcing into procurement
Actions taken during 2017	▪ Thiess established a Supply Chain Australian Indigenous Engagement Action Group to ramp up its commitment to creating opportunities for Indigenous businesses and employees ▪ UGL hosted an Aboriginal and Torres Strait Islander Supplier Showcase ▪ Group introduced an innovative supply chain financing program to facilitate early payment of supplier's invoices in exchange for a small settlement discount
Performance	▪ Thiess has a successful joint venture with Wirlu-Murra Yindjibarndi Services, who provide labour services at the Solomon project in Western Australia
Leave a positive legacy	
Measures in place	▪ Diversity Policy which promotes indigenous employment and indigenous suppliers in the supply chain ▪ Sustainability Policy which commits Group to leaving positive legacies
Actions taken during 2017	▪ Thiess launched new 2017-2020 Reconciliation Action Plan (RAP) ▪ numerous, project-by-project initiatives tailored to meet the needs of local communities
Performance	▪ Thiess' stretch RAP received endorsement from Reconciliation Australia

ZERO TOLERANCE FOR BRIBERY AND CORRUPTION

CIMIC Group prohibits, and has zero tolerance for, all forms of bribery and corruption and is committed to the prevention, detection and initiatives to eliminate bribery and corruption in accordance with the CIMIC Code of Conduct. Where the Code or a policy sets higher standards of behaviour than local laws, rules, customs or norms, the higher standards will apply.

Our people must obey all relevant laws and regulations, and must not participate in any arrangement which gives any person an improper benefit or an unfair advantage, directly or through an intermediary. CIMIC also explicitly prohibits facilitation payments which are payments of cash, or in-kind, made to secure or expedite a routine service, or to 'facilitate' a routine Government action, even if allowed under local laws or customs.

The Group does not make donations, either in kind or directly, to political organisations, political parties, politicians, or trade unions, and does not make or solicit payments to organisations which predominantly act as conduits to fund political parties or individuals holding or standing for elective office.

The CIMIC Code of Conduct is supplemented by an Anti-Bribery and Corruption Policy and the Group Code of Conduct - Management, Monitoring and Reporting Policy which:

- identify roles, responsibilities and obligations of leadership and employees;
- prescribes training requirements of various roles in the Group; and
- details related processes, including:
  - obligations of employees and managers in reporting a concern about a suspected breach of the Code;
  - confirming protection available to whistleblowers;
  - outlining investigation processes for an alleged breach of the Code of Conduct and ensuring it is confidential, objective, independent and fair; and
  - setting out key contacts and details.

Dealing with third parties

Third parties are entities and individuals outside of CIMIC Group and may include clients, joint venture partners, subcontractors, consultants and suppliers, agents or intermediaries (as defined by our Dealing with Third Parties Policy). The Group will only do business with third parties for legitimate purposes, in accordance with the Code, relevant laws and where that business relationship will benefit the Group.

When the Group has a controlling position in a joint venture or similar arrangement, the Code (or another code containing equivalent standards of behaviour) must be adopted for the joint venture or other arrangement. In other circumstances, the Group will remain bound by the Code and will seek to have partners adopt the Code.

The Group will not do business with a third party that does not share a similar approach to the Group in relation to ethical matters, or where engaging with the third party will harm the reputation of the Group. We aim to have effective business relationships with subcontractors and other third parties, and to encourage them to adopt similar business principles, practices and procedures to those of the Group. Group employees must ensure that any third party understands the Group's expectations and the Code of Conduct.

Before entering into a commercial relationship with a third party on behalf of the Group, appropriate due diligence must be conducted in accordance with the Dealing with Third Parties Policy and all contracts must be approved in accordance with the Group Delegations of Authority.

Each contract with a third party must be in writing and all contracts must:

- reflect the entire agreement between the Group and the third party;
- describe in a transparent manner and with an appropriate amount of detail the services and/or goods to be provided; and
- contain terms that provide a clear link between, and are commensurate with, the provision of goods or services and the payment of a fee or charge.

'High Risk'[37] third parties may only be engaged where:

- they have completed and executed a Third Party Anti-Bribery and Corruption Declaration, where it has been established that the business relationship is a legitimate one; and that the third party will comply with the Code or, if it has a code of similar scope and content to the Code, its own code; and

[37] The Dealing with Third Parties Policy has a detailed definition for 'High Risk'. A third party is designated as High Risk if any of the following apply: it is a potential/new joint venture partner; it is an agent and/or intermediary (which includes legal, tax, immigration, financial, security and industrial relations advisers, lobbyists, customs and shipping agents); the remuneration payable to the third party is based on success fees for the award of contracts or achievement of a defined outcome, are in cash; includes a non-refundable up-front payment (other than mobilisation payments for design or construction services); it is nominated or recommended by a public official or other representative of a government or state-owned enterprise; it is an individual (rather than a company or partnership) (other than permanent or contract employees); the engagement relates directly to a project for a government or state-owned enterprise in any country which has a ranking of 60 or higher in the most recent Corruption Perceptions Index (as published from time to time by Transparency International) (Corruption Perceptions Index); or due diligence enquiries identify potential issues.

- integrity checks on the third party have been completed (e.g. internet searches on the company and key individuals) and are acceptable to the approving manager.

Other third parties may only be engaged where they have completed a Third Party Anti-Bribery and Corruption Declaration.[38]

Where either the Third Party Anti-Bribery and Corruption Declaration or the integrity checks are not to the satisfaction of the approving manager, further enquires must be made. These could include:

- enquiries of the third party about the specific concerns; and
- detailed due diligence by an approved specialist due diligence provider (e.g. Thomson Reuters or Control Risks).

The Group does not enter into any agreements in relation to services such as lobbying, facilitating client relationships, relationship management, strategic advice, or other stakeholder management services which may directly or indirectly influence decision makers considering any bid for work.

Working in other countries

CIMIC seeks to ensure that it does not operate in countries that could pose significant integrity, legal, financial, operational, reputational, security and other business risks to the Group. CIMIC's Approval to Operate Internationally Policy ensures that, before operations commence in a new country, a comprehensive assessment of risks associated with operating in that country is undertaken, documented and approved.

The Approval to Operate Internationally Policy mandates a traffic lights system whereby:

- a 'Green Light' country is one that has been approved for Group entity operations. Typically, Green Light Countries are defined as retaining a low level of business risk and have either existing or potential opportunities to create a sustainable business with consistent and acceptable after tax returns;
- an 'Amber Light' country is one that has been approved for Group entities to pursue specific opportunities on a case-by-case basis. Typically, Amber Light Countries are defined as retaining a medium level of political, security, corruption or other business risk. Approval will only be granted on a prospect-by-prospect basis;
- a 'Red Light' country is one that is not currently approved for operation; and
- a 'Black Light' country is one where Group entities are banned from pursuing opportunities. These countries include prohibited activities in countries sanctioned by the United Nations Security Council and/or Australia (refer to http://www.dfat.gov.au/sanctions/sanctions-regimes).

CIMIC has a detailed process of risk assessment in place for country approvals. This includes the requirement for the relevant Operating Company to undertake an evaluation using a standardised risk assessment template, followed by a structured review process which involves Operating Company functional managers and CIMIC function heads including Strategy, Legal, Finance, Human Resources, Risk and Pre-Contracts, and the CIMIC CEO. CIMIC maintains a Register of Approved Countries which is integrated with the Group Delegations of Authority and Group Tendering Policy.

Political donations

CIMIC does not make donations, either in kind or directly, to political organisations, political parties, politicians, or trade unions, and does not make or solicit payments to organisations which predominantly act as conduits to fund political parties or individuals holding or standing for elective office

In keeping with the Code of Conduct, the Group did not make any donations, either in kind or directly, to political organisations, political parties, politicians, or trade unions in 2015, 2016 or 2017.

Supporting and protecting whistle-blowers

CIMIC is committed to providing support and protection for whistle-blowers. The Group makes available the 'Ethics Line', a confidential channel for employees, subcontractors and partners to voice their concerns should they come across potentially unethical practices. Matters can be reported to the Ethics Line via phone, fax, online, by email or post.

The Ethics Line is an independent service operated by STOPline Pty Ltd, a leading provider of disclosure management services. It is contactable 24 hours-a-day, seven days-a-week, and the service is staffed by highly trained consultants who are able to access a comprehensive interpreter service covering all the regions where we operate and the languages our people speak. All reports made to the Ethics Line are treated confidentially and are anonymous.

The Group Code of Conduct – Management, Monitoring and Reporting Policy requires that CIMIC and each Operating Company must maintain a Reportable Conduct Group (RCG), with membership comprising the CEO/COO or Managing Director, CFO, General Counsel, and Head of HR, or as otherwise determined by the CEO. The RCG is required: to monitor, investigate and respond appropriately to matters investigated and brought before it; and report to the CIMIC Ethics, Compliance and Sustainability Committee on a regular basis about matters reported, actions taken, and the success or otherwise of systems in place to support compliance with the Code.

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[38] Other than third parties designated as Low Risk, such as a government or state-owned enterprise ranked lower than 40 in the Corruptions Perceptions or an existing client designated as Low Risk by the CEO.

On behalf of the Board, the Ethics, Compliance and Sustainability Committee (ECSC) monitors and reviews the ethical standards and practices generally within the Group, compliance with the Code, and compliance with applicable legal and regulatory requirements. The ECSC receives quarterly reporting at a high level on the nature of all calls to the Ethics Line. Any serious matters are also reported to the ECSC.

In 2017, the nature of the calls to the Ethics Line were as follows:

Calls to the Ethics Line (#)	**2017**	**2016**
Conflicts	6	5
Breaches of code/procedures	3	2
Misappropriation/theft	1	0
Fraud	1	0
Human resources related	8	10
Other	7	6
Total	**26**	**23**

Of the matters reported in 2017, all were investigated and closed out by the respective Operating Company's Reportable Conduct Group and the Board's ECSC apprised of the details

Communication and training

Employees are required to undertake Group Code of Conduct training within three months of commencing within the Group, and this training is to be repeated every two years. The Code is accessible in each office and project site, and available on the CIMIC and each Operating Company intranet. Any updates to the Code of Conduct are promptly communicated to all employees.

It is mandatory for all decision-makers in senior management, as well as employees in 'high risk'[39] roles, to undertake a two hour standardised face-to-face training session delivered by a CIMIC or Operating Company General Counsel or delegate, outlining the importance of the Code and bribery and corruption prevention and control and, in addition, the online training module (including assessment).

All other salaried employees are to complete the online training module (including assessment) while blue collar workers participate in toolbox talks. Where online training is not available, alternative delivery of training will be provided (via CD or paper). Across the Group, 18,870 employees completed Code of Conduct training in 2017.

OPERATE HONESTLY AND TRANSPARENTLY

CIMIC expects all of its people to operate and communicate honestly and transparently, to maintain the confidence and trust of shareholders and other stakeholders. We are committed to building open and transparent relationships, and working collaboratively with the communities in which we work. We will comply with all applicable laws, wherever we operate, and where a code or a policy of CIMIC sets higher standards of behaviour than local laws, rules, customs or norms, the higher standards will apply. CIMIC is also committed to providing information to shareholders and to the market in a manner which is consistent with the meaning and intention of the ASX Listing Rules.

Continuous disclosure and insider trading

Listed companies, such as CIMIC, must comply with the continuous disclosure obligations in the ASX Listing Rules and the Corporations Act. This is also essential for the maintenance of shareholder confidence and market trust.

A Market Disclosure and Communications Framework is in place and the Group has supporting procedures for the gathering and release of information to the ASX. Our corporate governance processes are continuously reviewed to ensure compliance with changes to the Corporations Act and other legislation that affect the Group's operations.

CIMIC also maintains a comprehensive Securities Trading Policy which seeks to ensure that CIMIC Group officers and executives comply with the law prohibiting insider trading, and that their dealings in shares are beyond reproach. CIMIC Group people may only deal in the company's securities within designated trading windows which are six-week periods commencing on the next trading day after release of the Group's quarterly/half year/full year results. Employees must still obtain prior approval from the CIMIC Company Secretary before they can trade and a record is maintained of all approvals given.

During 2017, there were no breaches of continuous disclosure.

Privacy and record retention

The Group regards the fair and lawful treatment of personal information with utmost importance. The Group's Privacy Policy applies to all employees, third parties engaged by the Group, and all alliances and joint ventures in all jurisdictions. The objectives of this Policy are to treat personal information:

[39] High Risk Employees will be determined by the Reportable Conduct Group and may include the following roles: senior corporate management (all executives, General Managers and Group Managers); senior project management (all Project Directors / Managers and Superintendents); finance and administration (including accounting, legal, finance, insurance, treasury and HR); procurement and contract administration / management; business development; government relations; and plant managers.

- in Australia, including that of its Australian customers and business partners, in accordance with the *Australian Privacy Act 1988* (Cth) (Privacy Act) and the Australian Privacy Principles; and
- outside Australia, in accordance with the applicable law.

The Group also has a Record Retention Policy which integrates with an Information Management Policy. These policies set the requirements for the identification, retention and/or destruction of all records containing Group Information.

CIMIC is aware of the passage of the *Privacy Amendment (Notifiable Data Breaches) Act 2017* which established a Notifiable Data Breaches (NDB) scheme in Australia. The NDB scheme requires organisations covered by the Privacy Act to notify any individuals likely to be at risk of serious harm by a data breach. The Group is working to ensure that it is able to meet all of the obligations of the NDB.

The Group is aware of a data breach impacting some UGL employees. The breach involved a third party contractor engaged to provide expense management services and the information was primarily backed-up data from March 2016. The data exposed was historical, archived and partially anonymised.

The Group is unaware of any substantiated complaints regarding breaches of privacy by employees, clients or other stakeholders.

Tax payment and disclosure

CIMIC is committed to making positive contributions to the economic environment in which it operates. This includes the management and payment of taxes in a sustainable manner with regard to the commercial and social imperatives of governments, our business and our stakeholders and supported by our strong corporate governance policies. The Group complies with the taxation laws of the jurisdictions in which it operates and does not participate in tax evasion, undertake innovative or aggressive tax planning transactions nor enters into transactions that do not have a legitimate business purpose.

CIMIC understands that corporate tax payable by the Group provides important contributions to the financing of government public services and programs and investment in public infrastructure. In addition, the Group is a substantial generator of payroll taxes and other taxes and duties which also contribute to government revenue.

The Group reports an aggregate amount of tax paid and, in 2017, the Group's effective tax rate was 28.0%, compared to the Australian corporate tax rate of 30%. The effective tax rate is primarily impacted by:

- the blend of different tax rates on profits and losses from the various jurisdictions in which the Group operates;
- entitlements under the Australian Government's Research and Development tax incentive; and
- taxes on the gains and losses of divestments.[40]

The Group has continued to maintain an average effective tax rate of around 30% over the past three years. Our performance is set out in the Financial Report in this, and previous, Annual Reports.

CIMIC is committed to the integrity of the tax related disclosures contained in the financial statements and to maintaining open and transparent relationships with relevant tax authorities. In Australia, CIMIC is regarded as a 'key taxpayer' under the Australian Taxation Office's (ATO) Risk Differentiation Framework and participates in the ATO's annual Pre-lodgment Compliance Review program. The program is based on transparent and cooperative disclosure and enables CIMIC to provide increased confidence in relation to the amount and timing of tax paid.

CIMIC does not receive significant financial aid from governments, apart from standard tax relief measures that are available to similar businesses in the jurisdictions where CIMIC operates such as the Australian Government's research and development tax incentives or accelerated depreciation allowances[41].

Open and transparent relationships

The Group is committed to the principles of free and fair competition as reflected in our Code of Conduct. The Group will always compete vigorously but fairly, and comply with all applicable competition laws. The Group will also comply with all applicable national and international laws, regulations and restrictions relating to the movement of materials, goods and services.

In 2017, there were no significant fines or non-monetary sanctions for breaches of laws or regulations related to anti-competitive conduct, marketing communications, or other matters of non-compliance.

[40] The amounts of which are disclosed in Note 6: *Income tax expense* in the Financial Report within the Annual Report.

[41] Governments at local, State and Federal levels are important clients. The Group does receive income from Governments in the form of fees, reimbursement of costs or contractual entitlements for infrastructure construction and operations and maintenance work performed on a competitively tendered basis.

No legal actions were commenced or are outstanding with respect to anti-competitive, anti-trust or monopoly behaviour. There were no instances of significant fines or sanctions for non-compliance with Australian and international laws and regulations during the year.[42]

The Group does not sell banned or disputed products.

SUPPORT SUSTAINABLE PROCUREMENT

CIMIC understands the need to manage supply chain risks, and to procure goods and services in a transparent, competitive, compliant and sustainable manner. Procurement is a key element of the Group's operations that is crucial for project delivery, cost control, sustainability and financial performance – for the Group and for its clients.

We seek to encourage support for local suppliers where this makes commercial sense and they are able to meet all expectations. CIMIC also promotes the fair treatment of suppliers and payment within negotiated and contractually agreed terms.

CIMIC Group's Procurement Policy aims to ensure Group employees procure goods and services in a transparent, competitive, compliant and sustainable manner, and to maximise value by encouraging effective competition and employee accountability.

Supplier criteria should include pricing along with other factors, including the supplier's ability to meet specifications, contract conditions, warranties, total life-cycle cost, indigenous and local community involvement and supplier rating as per the approved supplier list. Locally sourced goods and services support local employment, boost regional economic growth and create upskilling opportunities. In some cases, purchasing locally made products and services can minimise transport costs and reduce fuel consumption and associated greenhouse gas emissions.

Thiess ramping up Indigenous engagement in the supply chain
Thiess has ramped up its commitment to creating opportunities for Indigenous businesses and employees, setting up an action group to drive current initiatives and generate new ideas. The newly established Supply Chain Australian Indigenous Engagement Action Group included representatives from across the business who have sought, and will continue to seek guidance from, traditional owner groups and key Indigenous organisations.

A tangible example is Thiess' joint venture with Wirlu-Murra Yindjibarndi Services, who provide labour services for our non-process infrastructure at our Solomon project in Western Australia. Other partnerships include using employment service RBY Workstars to place Indigenous workers on Thiess projects, and membership of Supply Nation an organisation that assists companies to connect with Indigenous businesses across the country.

CPB Contractors and some of their construction project teams from across New South Wales and the Australian Capital Territory held an inaugural Indigenous & social inclusion business forum for 100 Group and external participants in Sydney. The forum provided an opportunity to engage with representatives from the Indigenous supply chain and for CPB Contractors to present current and future project opportunities which might be attractive to Indigenous suppliers.

UGL fosters Indigenous suppliers
In Perth, UGL celebrated NAIDOC Week by hosting an Aboriginal and Torres Strait Islander Supplier Showcase, featuring presentations from Aboriginal organisations including Red Spear Safety Engineering (a provider of engineered safety solutions to the resource sector), ICRG (a mining and oil and gas resources services company), Jatu Clothing (a supplier of personal protective equipment), Kulbardi (a stationery and workplace supplies company) and Warrikal (a provider of mechanical engineering services, preventative asset management and shutdown works to the resources, energy and marine sectors).

Our Operating Companies aim to build sustainable supply chains, relevant to their focused businesses. The major elements of the Group's supply chain are materials (concrete, steel, and asphalt), plant and equipment, and fuel and subcontractors (such as electricians, plumbers, glaziers, steel fixers and other tradespeople). We seek to minimise the impact of our construction materials such as steel, timber and concrete by working with our suppliers to identify measures to improve the efficient use of these resources. Measures identified include: providing financial incentives for subcontractors to reduce wastage of reinforcing steel (rebar), cabling and pipes; reusing inert waste and secondary aggregate as backfill on projects; and redeployment of concrete waste to build temporary road structures, hard stands and precast concrete road barriers, amongst other things.

[42] CIMIC is continuing to cooperate with the relevant authorities regarding an alleged breach of the Code by employees within the Leighton International business prior to 2012 that, if substantiated, may have contravened Australian laws. This matter was self-reported to the Australian Federal Police and CIMIC does not know when the investigations will be concluded.

Focus on value to create competitive edge

When buying the big ticket items used in mining operations – equipment, parts, fuel, explosives – negotiating the best value can save the company, and its clients, significant amounts. Some of the major products required to run its mining operations require a significant cost investment by Thiess. Therefore, cost savings within its supply chain meaningfully contribute to its profitability and to its competitiveness, which ultimately benefits their clients.

A recent bid to find a suitable fuel supplier for Thiess' Indonesian operations demonstrates how a strategic approach helped save millions of dollars while still achieving the high standards expected from suppliers. Thiess leveraged their regional scale to get a much more competitive price on fuel, which in turn saved Thiess, and their clients, money. However, price was not the only factor. Other considerations included certainty of supply which is critical in mining operations and the supplier's approach to safety, environment, good governance and local community support.

CIMIC's Operating Companies have introduced an innovative Early Payment Program (EPP) which utilises supply chain financing to enable payment of invoices within 10 business days in exchange for a small settlement discount. The EPP provides suppliers with inexpensive financing as the program is backed by CIMIC's strong credit rating. The EPP improves supplier's cash-flow as it facilitates access to payments more quickly and, if suppliers are paid in another currency, to mitigate the impact of exchange rate fluctuations.

All suppliers must comply with the Code of Conduct, as specified by our Dealing with Third Parties Policy. The Policy aims to avoid dealing with third parties who do not share a similar approach to the Group in relation to ethical matters, including supply related matters.

LEAVE A POSITIVE LEGACY

CIMIC seeks to identify the potential impacts of projects and seek ways to minimise harm and to leave positive legacies.

Minimise community disruption

CIMIC's Operating Companies seek to minimise disruption, as much as practicably possible, to communities impacted by the Group's activities in delivering projects and services. Sometimes our construction, mining or services activities may impinge on local communities as we deliver projects for our clients. When they do, we try to minimise the impact of our activities by engaging proactively, being approachable and developing positive relationships with community members.

Community relations smooths delivery of rail projects

When the Group delivers projects, our people become the face of that project, and often the face of the client which is a big responsibility. Proactive involvement in the community delivers a range of benefits. Effective engagement can shape an improved design solution, reducing the risk of rework, and saving time and cost further down the track.

The major Regional Rail Link project in Victoria passed through some of the most culturally and linguistically diverse communities in Australia. There were around 1,800 homes and businesses located within 50 metres of work sites and every day, more than 19,000 rail customers travelled through work areas. CPB Contractors needed to manage and keep people informed about rail disruptions, extensive and frequent changes to traffic layouts, impacts on local businesses, and the impact of extended noise from around-the-clock works.

A particularly challenging issue involved the demolition and replacement of a historic footbridge, which attracted significant community interest. CPB Contractors worked with community groups and the local council to develop a striking new design for the bridge. When the new bridge was lifted into place, hundreds of community members came out to celebrate what will be a legacy of the project.

We understand that communities may be concerned about the potential impact of traffic, noise, dust, access changes, the siting of new infrastructure (i.e. tunnel vents or noise walls) or even the resumption of property. Generally, these impacts are the outcome of decisions made by our clients. However, our Operating Companies will seek to minimise these impacts as far as possible and to carry out the work in a proactive, approachable, empathetic and positive way.

Mitchell Freeway Extension project offers improved safety
Western Australia's new Mitchell Freeway Extension, designed and constructed by CPB Contractors, has now opened to traffic. The 6km of dual carriageway, with capacity for future expansion to three lanes, delivered improved public transport access, generating significant community and economic benefits for Perth's far northern suburbs.

For two years before construction started the project team worked with community and stakeholders on the project's design and construction phase. This meant that the team was able to incorporate improved safety for pedestrians and cyclists into the design. Features included a four-metre-wide shared path constructed along the west side of the extension, as well as underpasses and a pedestrian bridge. The project also utilised energy efficient LED lighting for the roads network, and for the pedestrian and cyclist shared path.

Our Operating Companies seek to work with relevant community stakeholders, especially those most affected by our operations, and seek to identify and address their concerns and expectations. Each Operating Company has its own community engagement policy and framework. We also incorporate a Stakeholder Engagement Plan in the planning process for each project, which includes the recording and tracking of the management in relation to community concerns.

Level Crossing Removal project team thanks community
CPB Contractors has been working as part of an Alliance to remove level crossings in the St Albans, Mitcham and Blackburn areas for the Victorian Government. The Blackburn Level Crossing Removal project team has thanked the community for its patience during construction after the recent completion of a new road bridge in Blackburn.

During the road bridge's construction, the Rotary Club of Forest Hill was heavily impacted and for six months had to change the location of its biggest fundraiser, the monthly craft market. The project team worked with the Rotary Club, and stallholders, traders and the council to help relocate the market until construction was completed. A 'thank you' day for the community coincided with the market's return to Blackburn Station's revamped forecourt area and a $500 cheque was presented to the Rotary Club from money raised at Blackburn team functions.

Project life cycle
CIMIC Operating Companies work with clients to evaluate the lifecycle consequences of their projects and, where possible, deliver solutions that add value in the long-term.

Integrating commissioning in the delivery program
CPB Contractors and UGL secured a A$127 million contract for the delivery of a 140ML per day Nutrient Removal Plant (NRP) at Melbourne Water's Western Treatment Plant. Clients increasingly consider commissioning and performance reliability in their evaluation, so the NRP team's tender demonstrated a whole-of-life solution including the proposed commissioning approach – detailing how the project would complete construction activities and bring the various process systems online.

Community investment
CIMIC seeks to deliver shared value for the communities impacted by our activities. We undertake to support local charities and community groups impacted by our projects and services, and to facilitate employee volunteering and charity support. For the community, our initiatives should make a tangible, genuine and lasting improvement to the quality of people's lives. In 2017, CIMIC directly invested $500,000 in corporate community investment programs, up from $400,000 in 2016.

Each Operating Company develops its own program of which underpins their social licence to operate and empowers our clients to achieve their community objectives. Some examples of supported projects in 2017 include:

Community investment at UGL
At the Gladstone Liquefied Natural Gas (GLNG) project, UGL, in partnership with our client Santos is sponsoring Life Education's Gladstone Regional program. The program delivers practical programs helping Australian children make safer and healthier life choices.

UGL's GLNG and Australia Pacific Liquefied Natural Gas (APLNG) project teams supported the Aboriginal Rugby League Carnival helping Queensland based Aboriginal Rugby League teams attend the event.

The team at UGL Viva Geelong tied its fundraising for the Very Special Kids charity to its Goal Zero safety campaign during their Turnaround period. The team achieved 55 out of 59 days at Goal Zero. Very Special Kids cares for more than 900 children across Victoria with life-threatening conditions by providing a children's hospice and professional family support services.

WestConnex M4 East supports the Leukaemia Foundation and the Sydney Children's Hospital Foundation
CPB Contractors' team on Sydney's WestConnex M4 East have been recognised for their fund raising efforts in the World's Greatest Shave which raises money for the Leukaemia Foundation. The M4 East team raised $53,000 for this worthy cause which made them the 5th largest fund raiser in New South Wales and the 10th largest nationally. This was a great effort by the team, their client, joint venture partners and many other friends and family connected to the project.

The WestConnex M4 East Northcote tunnel team generously donated $20,000 to the Sydney Children's Hospital Foundation after receiving the prize money as part of a supplier competition. Sydney Children's Hospital Foundation CEO Nicola Stokes said, "thank you to the WestConnex M4 East Tunnel team for thinking of sick kids and graciously donating their prize winnings. This kind and generous act will make such a positive difference to our young patients' stay in our Hospital."

Supporting bridge building in Rwanda
In 2017, CIMIC again sent two volunteers from the Group (including a 2016 civil engineering graduate) to build an 80-metre long pedestrian bridge in Rwanda alongside employees from HOCHTIEF. The project was delivered in partnership with the charity organisation Bridges to Prosperity. Building this new bridge will help some 5,000 people who live nearby to avoid a dangerous crossing which, during the rainy season, cuts them off from work, markets or schools.

Respect local cultures and peoples
CIMIC is committed to respecting local cultures and indigenous peoples, and supporting opportunities to aid national development in overseas markets.

Thiess has a Reconciliation Action Plan (RAP) which reaffirms that Operating Company's commitment to enriching and empowering the lives of Aboriginal and Torres Strait Islander people, and building greater understanding of and respect for culture. The objectives of the RAP are:
- building relationships – to build authentic, long-term relationships with Aboriginal and Torres Strait Islander people and communities to support positive outcomes;
- fostering respect – to create a supportive environment built on mutual respect for every member of Thiess' team and for the people who work with us:
- creating opportunities – to create a work environment and culture that best supports the growth of Aboriginal and Torres Strait Islander people and Indigenous businesses; and
- tracking progress and reporting – to develop and deliver an action-oriented, evidence-based plan that strengthens Thiess' strategic approach to supporting Aboriginal and Torres Strait Islander people.

The RAP includes a range of actions, some specific targets, timelines for implementation and identifies the responsible person. Thiess' RAP has received endorsement from Reconciliation Australia, the national expert body on reconciliation in Australia.

CPB Contractors is committed to diversity and social inclusion, and to providing people experiencing disadvantage with access to employment and training opportunities in the regions where they operate. The focus is on providing employment and training opportunities to Indigenous people, unemployed youth, people with disabilities and refugees.

NAIDOC celebrations at RAAF Williamtown air base
At the RAAF Williamtown Redevelopment Stage 2 project, the CPB Contractors team recently joined with their client, the Australian Department of Defence (Defence), to celebrate NAIDOC (National Aborigines and Islanders Day Observance Committee) Week. NAIDOC week is a time to celebrate Aboriginal and Torres Strait Islander history, culture and achievements, and is an opportunity to recognise the contributions that Indigenous Australians make to our country and our society.

An event at the base featured Indigenous dancers from the local Worimi people from the Hunter Valley region of New South Wales, along with senior Defence officials. NAIDOC Week 2017 provided project teams an opportunity to learn and experience Indigenous culture, language and music in line with this year's theme Our Languages Matter.

CPB Contractors' aim is to provide direct employment, as well as indirect employment through subcontractors and suppliers, access to training and upskilling for people experiencing disadvantage, and to build positive and inclusive workplaces through engagement with the workforce. CPB Contractors seeks to support the social sustainability endeavours and expectations of clients, and works to ensure intended and agreed outcomes are met at projects.

Canberra Metro participates in Indigenous ceremony
The Canberra Metro project has participated in a traditional Smoking Ceremony and Welcome Dance performed on behalf of Indigenous Elders. The Smoking Ceremony was conducted on the Canberra Metro's Flemington Road construction site, a significant mid-point location being built by CPB Contractors and their joint venture partner. The PPP project also includes Pacific Partnerships as an equity investor.

A Smoking Ceremony is one of the primary ancient rituals performed by Aboriginal and Torres Strait Islander people. The Smoking Ceremony is a welcoming and cleansing process, while the welcome dance is a cleaning of the air and a blessing. The tradition has been passed down through successive generations with evidence of the practice in ancient times suggested from carbon dating at ceremonial sites. The Smoking Ceremony was also a means to bring together disputing parties, settle conflicts and to restore harmony in the community.

The Group has not identified any incidents of violations involving the rights of Indigenous peoples during the reporting period.

Use of local employees and businesses

CIMIC Operating Companies seek opportunities for the engagement of local employees and businesses where possible and give preference to nationals over expatriates when practical. This approach is reflected in the Sustainability Policy and the Procurement Policy which encourage indigenous and local community involvement.

Developing a local workforce is building a legacy in PNG
In Port Moresby in Papua New Guinea (PNG), CPB Contractors is delivering the unique Asia Pacific Economic Cooperation (APEC) Haus building project for Oil Search in time to host APEC delegates for the annual Economic Leaders' Meeting in November 2018. CPB Contractors has again turned to a proven national workforce that has delivered a number of projects including the National Football Stadium project.

The team, comprising approximately 75-80% local employees, continue to work with CPB Contractors' expert supervisors to deliver the highest quality of projects in PNG, on time and on budget. Through on-the-job training and skills development, utilizing local subcontractors and suppliers, and giving back to the communities in which they work, CPB Contractors is building a very positive social legacy in PNG.

OUTLOOK AND FUTURE PLANS

We are committed to acting with integrity and doing the right thing, regardless of where we operate. In 2018, we plan to:

- continue to reinforce the Code through senior management roadshows and presentations;
- review foreshadowed changes to legislation relating to Whistleblowers and Modern Slavery to ensure CIMIC Group's policies and procedures meet all requirements and are fit for purpose; and
- maintain our focus on Code training for all employees.

CULTURE

OUR APPROACH

CIMIC understands the importance of a culture that encourages a can-do attitude, and harnesses the talents of our people to deliver results. Our teams comprise industry leaders who contribute their skills, knowledge and experience each day to the benefit of our clients, project partners and wider stakeholders. We drive results, encourage innovation, celebrate diversity, and recognise and reward excellence. We invest in our people and back them every step of the way.

Our culture related sustainability commitments are: to provide supportive workplaces; to train and develop our people; to encourage diversity; and to reward performance. We believe that people perform best when they have clearly defined goals and when they are empowered to operate and are held accountable for delivering. We believe this assists us to foster a culture of high performance.

Provide supportive workplaces	
Measures in place	▪ Workplace Behaviour Policy; Anti-Bullying, Harassment and Discrimination Policy; Diversity & Inclusion Policy; Flexible Working Policy; Parental Leave Policy ▪ strong safety management commitment which is embedded in the Group's principles ▪ employee value proposition that aims to provide safe, rewarding and fulfilling careers for our people
Actions taken during 2017	▪ conducted a neuro-diversity program on inclusion of people with Autism Spectrum Disorder in our workforce ▪ undertook anonymous, Group-wide employee survey of around 12,500 staff
Performance	▪ CIMIC Group recognised by LinkedIn as 7th best place to work in Australia ▪ engagement survey results showed that 69% of employees 'would recommend my company as a great place to work' and 72% said they are 'proud to work for my company'
Train and develop people	
Measures in place	▪ comprehensive learning and development plans in place across all Operating Companies ▪ Professional Development Policy
Actions taken during 2017	▪ Economic Information System (EIS) on-line training modules rolled out ▪ contract management training delivered to 825 project related employees ▪ provided 128 (90 in 2016) intern/vacation positions which placed students into short-term programs with CPB Contractors, Thiess, Sedgman, EIC Activities and UGL ▪ regularly cooperated with schools and universities through active scholarships with universities, student presentation and technical lectures, career support ▪ presented at a number of university career fairs including: University of Technology Sydney, Monash University, University of Queensland, University of Newcastle, James Cook University, University of NSW, Queensland University of Technology, as well as the large multi-university career fairs 'Big Meet' – in Sydney, Brisbane, Melbourne and Perth ▪ utilised GradConnection[43] online social media platforms, via Facebook and Instagram, to promote the CIMIC Group Graduate program ▪ Graduate and intern roles advertised on university Career Hub pages ▪ Foundation (Graduates) training topics implemented in 2017: applied technical/engineering across multiple disciplines (civil, mining, electrical and mechanical) contracts, procurement, finance, client, risk, diversity/cultural awareness, safety and wellbeing ▪ conducted senior leadership 'Program One' workshops across all Australian key states and Hong Kong for 550 participants ▪ Group Frontline Leadership program implemented in Australia, Asia, Canada, Chile ▪ launched a Group-wide CIMIC 'Jobs Board'
Performance	▪ increased the number of graduates to 174 (137 in 2016)[44] ▪ recognised by AAGE[45] as top graduate employer 2017 ▪ recognised as a Top 100 Graduate Employer of 2017 by GradConnection
Encourage diversity	
Measures in place	▪ Diversity and Inclusion Policy; Anti-Bullying, Harassment and Discrimination Policy ▪ Diversity & Inclusion Executive Council, chaired by CEO and with all Operating Company Managing Directors, Chief Financial Officer and Chief HR Officer as members
Actions taken during 2017	▪ launched WiSE Program (a female mentoring program) with University of Western Sydney ▪ launched Equal Employment Opportunity Discrimination, Anti-Bullying, Harassment & Discrimination training ▪ launched Unconscious Bias training

[43] GradConnection is a platform linking students and graduates to employment opportunities annually, in conjunction with The Australian Financial Review, GradConnection announces the Top100 most popular graduate employers.
[44] Including UGL and Sedgman participants
[45] Australian Association of Graduate Employers - the peak industry body representing organisations that recruit and develop Australian graduates.

	▪ conducted female employee round table discussions and addressed opportunities and barriers to attraction and retention raised ▪ acknowledged International Women's Day across Australian construction business to raise awareness of gender diversity issues ▪ Thiess launched new diversity and inclusion vision: 'everyone matters always' ▪ Reconciliation Australia endorsed Thiess' 2017-2020 Reconciliation Action Plan ▪ conducted Human Rights Impact Assessment pilot in November/December 2017 in India ▪ continued to report workforce composition under the *Workplace Gender Equality Act 2012* (Cth)
Performance	▪ 4,587 employees undertook face-to-face Equal Employment Opportunity, Discrimination, Bullying and Harassment training
Reward performance	
Measures in place	▪ Remuneration Policy - promoting individual accountability and aims to fairly motivate, recognise and fairly compensate without bias ▪ incentive schemes linked to creation of sustainable returns for shareholders
Actions taken during 2017	▪ conducted Group-wide pay equity review and implemented remediation actions ▪ continued to refine the Group job level framework and remuneration ranges ▪ rolled out simplified, options based, long-term incentive scheme for senior executives aligned with share price growth for the Group ▪ continued to review performance management approach
Performance	▪ all remuneration increases and bonuses have a recent performance review rating of 'meets expectations or above' as a key input ▪ made payments to individual female employees where unexplained pay gaps were identified

Employee details

As at 31 December 2017, the Group directly employed 37,779 people, 14,904 in Australia and 22,875 in international operations, up from 28,535 last year (8,148 in Australia and 20,387 in international operations).

Direct employees (#)	2017	2016
Group	37,779	35,394

Based on a share of the employees in our investments as follows – HLG Contracting (45%), Ventia (46.96%) and Devine (59.11%) - our total number of employees is 51,001, up from 50,874 last year.

PROVIDE SUPPORTIVE WORKPLACES

CIMIC is committed to providing workplaces where people are supported, are free from harassment and bullying, and are encouraged to reach their potential. We encourage innovation and provide support for new initiatives, and support a culture where, rather than punish, we learn from failures.

In 2017, the CIMIC Group was named in the top 10 best companies in Australia for attracting and keeping top talent. Coming in at number seven on LinkedIn's Top Companies list, the Group outperformed our competitors to be the only company in its sectors to secure a top spot. This means that for the second year running, CPB Contractors is once again the only construction company to be in LinkedIn's top 10 'best companies' rankings.

Visible leadership

We encourage leaders to provide open, honest, visible leadership and to demonstrate alignment with our mission and principles.

CIMIC continued to build on its Group-wide leadership framework 'Program One' which was launched in 2016. Senior leadership workshops were held for 550 participants across all Australian key states and Hong Kong and the Group Frontline Leadership program was implemented in Australia, Asia, Canada and Chile.

CIMIC launched the Group's first new internal newsletter 'Pulse' in 2016 to engage our global workforce and to deliver consistent messaging and communication. Pulse has continued to be used in 2017 as a forum for bringing news to our employees across our more than 430 projects, to share ideas and information, and as means of communication for our leaders. Pulse is an important initiative in creating a unified culture across the Group.

In 2017, CIMIC introduced an anonymous, Group-wide employee survey of staff to better understand the experience of our people in the workplace. The survey of around 12,500 people had an 80% participation rate with almost 9,500 completing the survey, providing some 22,000 comments. The participants represent around 25% of total direct employees.

The survey asked questions about safety, people's roles, communication, manager support, leadership, development opportunities, teamwork, culture and their confidence in the company. 88% of respondents believe the Group is committed to the health and safety of employees, and a similar percentage report that health and safety is a priority for their manager. Other response highlights include:

- 96% of respondents saying, "If I notice a workplace hazard I would stop and take action";

- 95% said “I understand my health and safety responsibilities”;
- 94% of respondents acknowledged that “I understand how to identify hazards in the workplace”;
- 90% answered positively that “I have the training to know how to protect myself in the workplace”;
- 72% said “I am proud to work for my company”;
- 70% responded favourably to the question, “My manager is a great role model (demonstrates CIMIC Group principles: Integrity, Accountability, Innovation, Delivery) for employees”; and
- 69% answered that “I would recommend my company as a great place to work”.

The feedback is helping us to continue improving how we support our people and work together, so we can provide safe rewarding careers and ensure our people can perform at their best. The Group plans to survey wages employees in 2018.

Freedom from harassment

The Group is committed to providing a supportive and positive working environment where employees are treated fairly and with respect. The Group does not tolerate harassment, discrimination, bullying, vilification, occupational violence or victimisation on any grounds, whether by race, gender, sexual preference, marital status, age, religion, colour, national extraction, social origin, political opinion, disability, family or carer’s responsibilities, or pregnancy. This commitment is enshrined in the Code of Conduct, Diversity & Inclusion Policy, Anti-Bullying, Harassment and Discrimination Policy, and Workplace Behaviour Policy.

In 2017, CIMIC conducted a neuro-diversity program on inclusion of people with autism spectrum disorder in our workforce. Neuro-diverse individuals on the autism spectrum possess in-demand skills especially aligned with STEM subjects (Science, Technology, Engineering and Mathematics). When trialled in CPB Contractors, the experience has seen benefits including; more inclusive work places, reduced sick leave, increased engagement and retention, and participants have become brand ambassadors. Workplace adjustments are minimal and are aligned with all employee expectations.

Freedom of association and collective bargaining

We recognise the right of employees to freely associate and collectively bargain, and aim to fairly, consultatively and constructively engage with workers, union representatives and regulators. Our Operating Companies are responsible, on an individual basis, for managing workplace relations. This approach to employee relations helps to ensure that any matters that arise on a project can be quickly identified and resolved in the field, by our dedicated, market-focused businesses.

Flexible industrial relations on Canberra Light Rail project delivers value for money

The Canberra Light Rail project is a first for the Australian Capital Territory and consists of a 12km track with 13 stops, including a terminus at each end route.

Working with the Canberra Metro partners, Pacific Partnerships is providing equity funding and project leadership as part of the special purpose vehicle. CPB Contractors is a joint venture partner delivering the design and construction. UGL is a joint venture partner that will deliver operations and maintenance (O&M) services for 20 years.

The project’s O&M solution took an innovative approach to resourcing and introduced a new ‘multi-skilled’ driver model. Selected drivers will be trained in both driving and customer service roles. This provides valuable flexibility. Drivers performing customer services can be reallocated to driver duties if the rostered driver is unavailable. The solution, developed in consultation with the relevant union, increases utilisation and eliminates the need to maintain a pool of stand-by drivers, reducing labour costs.

In Australia, approximately 50% of the Group’s employees are covered by collective bargaining agreements; 28% at CPB Contractors, 69% at Thiess, 19% at Sedgman and 62% at UGL.

The Group is not aware of any instances where its operations, or those of its suppliers, have seen workers’ rights to exercise freedom of association or collective bargaining violated or at significant risk.

Human rights and forced/child labour

CIMIC is committed to abiding by the principles of the United Nations Global Compact which explicitly identify, amongst other things that business should:

- support and respect the protection of internationally proclaimed human rights;
- make sure that they are not complicit in human rights abuses;
- uphold the freedom of association and the effective recognition of the right to collective bargaining;
- uphold the elimination of all forms of forced and compulsory labour;
- uphold the effective abolition of child labour; and
- uphold the elimination of discrimination in respect of employment and occupation.

CIMIC rejects all forms of forced labour and will not tolerate child labour or any form of exploitation of children or young people. The Group will comply with the International Labour Organisation (ILO) with respect to under-age workers. No employee may be obliged to work by the direct or indirect use of force and/or intimidation. Only people who voluntarily make themselves available for work may be employed.

These commitments are enshrined in the Code of Conduct and supported by the Group's Dealing with Third Parties Procedure which requires, amongst other things, for specific due diligence to be undertaken regarding slavery, forced or child labour. Third parties are required to sign a declaration asking whether "slavery, forced or child labour has been used anywhere by the third party or, to the best of the third party's knowledge, by any direct suppliers to the third party?"

CIMIC is closely monitoring the Australian Government's proposed model for a Modern Slavery in Supply Chains Reporting Requirement and will comply with whatever legislative arrangements are put in place.

In 2017, CIMIC conducted a pilot Human Rights Impact Assessment (HRIA) in our Leighton India construction business. With its more than 9,900 direct employees as at 31 December 2017, Leighton India represents ~26% of the Group's direct workforce.

The aim of the pilot was to develop greater awareness around human rights and to assess the impact of our operations on a range of areas relating to human rights. These areas included: conditions of employment, including worker accommodation; relations with suppliers and contractors; workplace health and safety; and management of risks around forced labour, child labour and young workers, non-discrimination and freedom of association.

The HRIA identified a number of areas where Leighton India is providing employment conditions beyond what is common industry practice and/or required by local legislation, including safety, training of unskilled workers and worker medical services. The HRIA also identified initiatives that will assist in the prevention of employment of workers under the age of 18, improvement in site security, and accuracy of employee payments, such as facial recognition technology linked to site entry.

Learnings from the pilot will used as a basis for an HRIA of the Group's operations in Indonesia in 2018.

Encourage innovation and support new initiatives

CIMIC encourages innovation and provides support for new initiatives. We seek to develop a culture whereby our people learn from their mistakes, rather than punish any failures.

ALFA asks the simple questions

ALFA – or Ask, Listen, Find out and Act – is a Thiess framework which focuses on uncovering site-specific difficulties and inefficiencies faced every day while completing work. Beginning in 2013, the improvement initiative engages managers and teams to identify difficult work situations and discover opportunities for improvements, particularly around safety.

ALFA identifies the main tasks people perform and how they interact across work functions, observing the communication channels used. Teams participate in anonymous interviews where they share their challenges and observations. Through ALFA, an improvement team is able to analyse the data collected from interviews, prioritising the issues and the solutions people use in everyday activities.

At Thiess' Australian operations, ALFA revealed improvements to maintenance warehouse workflow, workforce skill and training registers, mine road maintenance, and two-way radio communication.

Digital feedback kiosks engage rail teams

Inefficient communication processes at the UGL Unipart rail maintenance facility in Sydney were a leading cause of employee disengagement. The UGL team developed digital feedback kiosks to provide accessible, real-time and two-way communication across the large site. Positioned at different locations on-site, these kiosks have improved employee engagement and facilitated a dramatic increase of information availability, cross-functional consultation, and the identification and reporting of on-site risks and hazards.

TRAIN AND DEVELOP PEOPLE

CIMIC invest in the training and development of people to equip our workforce for the future. We must ensure that the knowledge and expertise of our people grows so that we can maintain our position as a leader in the industries in which we operate. To do this we identify skill gaps, train and develop our people, and share knowledge across the Company. In doing so, we improve employee attraction, retention and engagement which ensures we have the skills to execute on our strategy.

Investing in training

CIMIC invests in skills-based, vocational and technical training that supports our business requirements and the development of our employees. Investing in learning and development is imperative, CIMIC values its employees and aims to contribute on an ongoing basis to each employees' learning and development journey.

CIMIC has developed a Group-wide 'Capability Framework' which is designed to deliver consistent training for core capabilities that are a priority for our business. We invest in training that supports our business requirements and the development of our employees. Each of our Operating Companies conducts regular skills-based training and programs, such as technical and vocational training, and health and safety programs, to support our business requirements.

Innovation facilitates training of road-header operators
The WestConnex M4 East tunnelling project in Sydney, being delivered by a joint venture including CPB Contractors, has faced a shortage of skilled road-header operators given the amount of tunnel work currently underway in Australia. Road-headers are a piece of excavating equipment consisting of a boom-mounted cutting head mounted to a tractor or crawler which moves the entire machine forward into the rock face.

Traditional road-headers have a single cab that precluded on-the-job training. CPB Contractors developed an innovative new cabin design with a road-header manufacturer. The fully equipped dual operator cabin enables the training of new operators in a safe, real-world environment with an experienced operator, without interrupting tight program timelines. Additional safety improvements have been incorporated into the new design which provide improved dust filtration system and better noise attenuation.

Across the Group, we delivered 713,377 hours of training in 2017 which equates to nearly 19 hours per annum for each direct employee.

Training courses included:
- EIS[46] online training modules covering subjects such as; forecast at completion, revenue, billings and collections, revenue, cost, profit & loss, and financial position;
- equal employment opportunity discrimination;
- anti-bullying, harassment & discrimination;
- unconscious bias training;
- contract management; and
- foundation topics (for Graduates) which included: applied technical/engineering across multiple disciplines (civil, mining, electrical and mechanical), contracts, procurement, finance, client, risk, diversity/cultural awareness, and safety & wellbeing.

In addition, through EIC Activities, 31 applied technical training webinars were delivered (up from 10 in 2016) with 1000+ viewings.

On-the-job work experience at the Gold Coast Light Rail project
On the Gold Coast Light Rail Stage 2, CPB Contractors engaged three students from a local high school to take part in on-the-job work experience. The innovative Constructive Kids' Traineeships are offered by the project with strong support from Southport State High School. The program is designed for students who intend to pursue a career in the civil construction industry and once complete they will receive a Certificate II in Civil Construction.

The year 11 students are completing a 12-month school based traineeship with the project and graduated in August 2017. The traineeship has provided an excellent opportunity for the students to gain invaluable 'on-the-job' skills that could put them ahead of the game for employment opportunities.

Invest in future leaders
CIMIC invests in its future leaders by recruiting and providing graduates with exposure to a global organisation across multiple industries. CIMIC manages a Group-wide, two-year Graduate Program during which graduates participate in structured development days providing in-depth information on key areas of the business.

The 2017 intake of graduates commenced with the Group in February, with an induction held in Sydney. This year, 174 graduates (up from 137 in 2016), 136 males and 38 females, commenced with CPB Contractors, Leighton Asia, Broad Construction, Thiess, Sedgman, UGL and EIC Activities, with opportunity for exposure to Pacific Partnerships and CIMIC. The program operates globally with graduates in New Zealand, Hong Kong, Botswana, Chile and Indonesia. In 2018 the program will further expand into Canada and Mongolia.

Total graduates, trainees and apprentices employed at end of 2017 (#)	Male	Female
Graduates	189	56
Trainees and apprentices	159	36

[46] EIS is a set of processes, business rules, tools and standardised reports for the management, control, and reporting of key project activities, revenue, cost, margin and working capital.

Leighton Asia investing in future talent

To bring the best young talent on board, Leighton Asia's recruitment team in Hong Kong has gone the extra mile to secure a sustainable pipeline of talent for their business. On top of delivering annual career talks and promotions in various universities, and hiring through normal application procedures, Leighton Asia has taken the opportunity to secure talent at an early stage through a Summer Internship Program.

Since 2015, high performers in the program have been offered positions in the Graduate Trainee Program upon graduation. This enables Leighton Asia to identify potential talent at an early stage and to stay ahead of the curve in a competitive market.

75% of the high performers from Leighton Asia's 2015 Summer Intern Program were employed as Graduate Trainees after graduation. All of the Trainees are still working at Leighton Asia. In 2017, the team employed around 50% of high performers from the 2016 Summer Intern Program, which meet around half of Leighton Asia's demand for young talent in 2017.

CIMIC Group is also involved in range of other university focused programs that aim to equip our workforce for the future. These include:

- participation in the WiSE (Women in Science and Engineering) Program with University of Western Sydney in a mentoring capacity offering advice, information and networking opportunities for students;
- regularly cooperating with schools and universities through active scholarships with universities, student presentation and technical lectures and career support;
- participating in a number of university career fairs 2017 including: University of Technology Sydney, Monash University, University of Queensland, University of Newcastle, James Cook University, University of NSW, Queensland University of Technology, as well as the large multi-university career fairs 'Big Meet' – in Sydney, Brisbane, Melbourne and Perth;
- utilising GradConnection online social media platforms, via Facebook and Instagram, to promote the CIMIC Group Graduate program; and
- advertising graduate and intern roles on university Career Hub pages.

In 2017, a survey of over 2,500 graduates ranked CIMIC as the 66th top graduate employer. The Australian Association of Graduate Employers survey recognises those organisations which provide the most positive experience for their new graduates as determined by the graduates themselves. CIMIC also placed 52nd in GradConnection's Top100 Most Popular Graduate Employers.

Inspiring the next generation of engineers

The Transmission Gully project team in New Zealand were proud to be involved in the 2017 IPENZ[47] Week of Engineering, which ran from 31 July to 5 August. The Week of Engineering featured a series of events, held across the country, aimed at inspiring and informing young people interested in pursuing a career in engineering.

In one of the events, a group of local Porirua College Year 12 and 13 students spent the day touring the Transmission Gully project site and talking with CPB Contractors' civil and structural engineers about what led them into their career choice and what it means to them to be an engineer. CPB Contractors also took part in the successful Engineering Expo held at Te Papa in August.

In 2017, Thiess offered university students in Australia scholarship opportunities in: mining engineering, women in engineering, and to Aboriginal and Torres Strait Islanders. These scholarships support students through their studies and offer them an opportunity to launch their mining career.

Thiess also offers a two-week vacation program aimed at providing real on-the-job experience in a structured environment. They also have the opportunity to work on-site and experience living in remote locations, build relationships and network with industry contacts early in their career, and receive the opportunity to be fast-tracked into the CIMIC Group Graduate Program.

During 2017, CIMIC conducted senior leadership 'Program One' workshops across all Australian key states and Hong Kong for 550 participants. The Group's Frontline Leadership program was also implemented in Australia, Asia, Canada and Chile.

The Group conducted talent reviews and succession planning for critical roles across all Operating companies in October 2017. The outcomes of these reviews will be used for development planning in 2018.

[47] Engineering New Zealand - formerly known as IPENZ – is a non-profit membership organisation, is New Zealand's professional body for engineers, dedicated to promoting the interests of engineers and engineering.

Recruit internally

CIMIC seeks to recruit internally and provide existing staff with opportunities to fill vacancies before looking externally. We believe that we have an obligation to develop opportunities for our own people which helps to create a more sustainable workforce. Selection should be based on competency, experience and qualifications, and assessed against bona fide and defined job requirements. Employment processes and decisions should be free from bias and discrimination.

In 2017, we launched a Group-wide CIMIC 'Jobs Board' where employees can search for job opportunities at all of our companies, in one place. The Jobs Board allows employees to search by company, location and job category, and to set up a targeted job alert which will send employees an e-mail when a position becomes available that matches their search criteria.

In 2017, the Group recruited 23,511 new employees, 22,324 male and 1,187 female.

The relatively short term duration of many of the Group's construction projects and the fixed term employment model of trades and manual workers, means that comparisons of turnover rates with other industries are not meaningful. CIMIC believes that a more appropriate turnover rate to use should reflect the departures of only white collar workers (staff).

Voluntary and involuntary departures[48] (%) – staff only	Overall	Male	Female
Group	25.5	19.5	6.0

The turnover rate, across most of the Group's entities, has remained static or declined markedly since 2016.

The average tenure of our people is 3.4 years (versus 3.1 years in 2016), reflecting the defined duration nature of the Group's project activities. However, as the table below shows, the Group has many experienced and long serving employees with management experience, which includes key operational roles such as project managers, foremen and site superintendents.

Length of service with the Group in years (% of workforce)	Male	Female
Less than 1 year	41.0	2.7
Greater than or equal to 1 year and less than 3 years	21.0	2.3
Greater than or equal to 3 years and less than 5 years	7.3	1.2
Greater than or equal to 5 years and less than 10 years	14.1	2.2
Greater than or equal to 10 years and less than 15 years	4.7	0.6
Greater than or equal to 15 years	2.6	0.3

We recognise and reward the hard work and loyalty of our employees and understand that this is an important and effective motivator for retention.

ENCOURAGE DIVERSITY

CIMIC recognises that diverse and inclusive teams promote innovation, performance and productivity, and that our workforces should reflect the diverse communities in which we work. Our diversity and inclusion strategic objectives are to:

- promote and improve female participation in our Group and achieve gender equity, including pay equity;
- increase indigenous employment and use of indigenous suppliers in our supply chain;
- invest in local employment to ensure the future workforce is reflective of the country in which we operate; and
- cultivate an inclusive workplace of fairness and equity which fosters the unique skills and talent of our people.

Our workforce is predominantly made up of permanently employed full time and fixed term employees. Given the project nature of the much of the Group's activities, many trade-related employees such as scaffolders riggers, fitters, steel-fixers, electricians, etc. are recruited on fixed terms for construction projects. When the project, or their contribution to the project, is completed they leave for other opportunities. This skews the Group's workforce composition to one with a relatively low level of permanent full time workers compared to many other industries. It should also be noted that the construction and mining industries have, historically, employed relatively few women. "The construction industry is the most male-dominated sector in Australia: in 2016 women represent only 12% of the workforce."[49]

Workforce composition (%)	Male	Female
Permanent full time	54.9	7.7
Permanent part time	0.1	0.4
Fixed term	29.6	0.7
Casual	6.0	0.5

[48] Percentages are based on total voluntary and involuntary departures for the 2016 year divided by the total number of employees at the end of 2015.
[49] 'Construction Industry: Demolishing gender structures', University of New South Wales - Built Environment, Arts & Social Sciences and Centre for Social Impact, December 2016.

Female participation and gender equity

CIMIC actively promotes and seeks to improve female participation in our Group and to achieve gender equity, including pay equity.

A key objective is to increase the number of females employed at all levels in CIMIC Group. A focus for CIMIC is to overcome the challenges associated with the relatively small numbers of women entering the engineering trades and profession. Allied with this objective is to retain these females once we have attracted them to our company. Furthermore, we are seeking to ensure that women are not over-represented in administrative and professional service roles, and under-represented in the trade, engineering and leadership roles that are core to our business.

CIMIC reported certain gender related information to the Australian Government's Workplace Gender Equality Agency (WGEA) based on the year ended 30 June 2017. The 2016/17 WGEA submissions show that, for the larger contracting entities of CPB Contractors, Thiess, Sedgman and UGL, which have substantial employee numbers, females accounted for around 11-14% of management positions and 11-19% of non-management positons. While these results reflect the traditionally male dominated nature of the construction and mining industries, they are broadly encouraging in comparison to the previous reporting period.

	2016/17		2015/16	
Female participation (% of each Operating Company's workforce)[50]	**All managers**	**All non-managers**	**All managers**	**All non-managers**
Group	13.5	15.1	10.5	15.0

CIMIC is working hard to close the pay gap and making efforts to ensure gender equity to produce positive change. In 2016, CIMIC undertook a pay equity review across all of our companies which confirmed we had a pay gap. We took steps to address this issue, increasing remuneration for women who were paid less than males for equivalent roles based on skills and experience. In 2017, we analysed the data again as part of a pay equity review and, in some instances, we identified that there was still a pay gap based solely on gender. We have implemented remediation actions including making adjustments to Total Fixed Remuneration (TFR) for unexplainable pay gaps >10%.

CPB Contractors supporting Women in Construction

In March 2017, CPB Contractors marked International Women's Day by announcing a corporate membership of the National Association of Women in Construction (NAWIC). This is part of our commitment to supporting women in CPB Contractors, a core element of our plan for diversity and social inclusion. The NAWIC membership provides access to networking events, awards and scholarships as we increase our efforts to attract, develop and retain women, and to foster greater participation in engineering and project management.

Women currently account for 25% of CPB Contractors' staff and 19.3% of the total Australia and New Zealand workforce. The latter figures compare with 13.8% for similar organisations in Australia. While CPB Contractors is making progress, we are committed to doing more – including having women form at least 25% of our annual Graduate Program intake.

CIMIC has an established Diversity & Inclusion Executive Council, chaired by the CEO and with all Operating Company Managing Directors, the Chief Financial Officer and Chief HR Officer as members. The Council provides leadership to the Group on fostering a diverse and inclusive culture. The Council has supported initiatives including:

- conducting round table discussions with female employees across the Group, focusing on understanding the issues faced by women in operational/project based roles, and addressing opportunities and barriers to attraction and retention raised;
- establishing a women's network;
- supporting opportunities for teams, across the Group, to acknowledge International Women's Day and to raise awareness of gender diversity issues; and
- improved workforce reporting to track diversity participation.

Digging deep for diversity

Eight female engineers are promoting diversity and challenging the traditionally male environment of tunnelling on the New M5 project. The New M5 project, the second stage of WestConnex, involves excavating 9km twin tunnels from Kingsgrove to St Peters and an underground interchange, and is being delivered by a Joint Venture made up of CPB Contractors, Dragados and Samsung.

The engineers are part of the Women in Non-Traditional Roles (WINTR) initiative established at the project to encourage involvement of women in construction. WINTR aims to build networks for women in non-traditional roles, raise the profile of women currently in these roles and to help retain and expand the number of women in non-traditional fields. The female engineers are working at tunnelling sites across the project, with positions ranging from undergraduate roles to management positions. In addition to the eight female engineers, women are filling a wide range of roles on the New M5, including safety, environment and community relations.

The promotion and increase of female participation continues to be a key priority for the Group. The Group's new Graduate Program features an above-industry female participation rate of 22% for the 2017 cohort.

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[50] Based on Australian Government's Workplace Gender Equality Agency (WGEA) reports for year ended 30 June 2016. Detailed reports by Operating Company can be found at https://www.wgea.gov.au/report/public-reports.

We aspire to have an inclusive culture that values and sustains diversity and a work-life balance. One of the ways we make our workplace more attractive to women is to offer a paid parental leave scheme to eligible employees of the Group, in Australia. This scheme comprises paid parental leave to the primary carer of a child or adopted child.

The Group provides an additional return to work incentive to support employees returning following parental leave. We provide partners of primary carers a period of paid leave upon the birth or adoption of a child. The Group's paid parental leave scheme is an important retention strategy which recognises the importance of employees managing personal and family commitments with work obligations. In other countries, paid parental leave is provided in accordance with current local legislation.

Support for White Ribbon Day

The Group was pleased to support White Ribbon Day, which focuses on women's safety and the prevention of violence against women. White Ribbon Day specifically targets violence against women by men, and engages men in raising awareness of this issue, and by providing education and tools to stop violence against women in their community.

To mark White Ribbon Day, we supported women and girls experiencing poverty and homelessness by supplying everyday personal hygiene products and necessities (such as hairbrushes, deodorants, toothbrushes, toothpaste, sanitary products, shampoo and conditioner) to homeless women, women at risk or women experiencing domestic violence.

CIMIC also supported the campaign by promoting the contact details of a number of support groups including 1800Respect, NSW Domestic Violence Line, Men's Referral Service, Lifeline and the CIMIC Group Employee Assistance Program.

Indigenous employment

CIMIC appreciates that Aboriginal and Torres Strait Islander people are the first inhabitants of Australia, and we respect and value Indigenous people, their land and communities and their culture and heritage. The Group is committed to offering employment, training and enterprise opportunities for Australian Indigenous people including internship opportunities for Aboriginal and Torres Strait Islander university students through our partnership with CareerTrackers.

In 2017, our Indigenous employment rates, including sub-contractors, was as follows:

Indigenous employment in Australia (# and % of the workforce)[51]	2017
Total	889 (2.7%)

The overall number and rate of Indigenous employees has fallen from a peak in 2013/14 which coincided with the delivery of some large and remote oil and gas projects. Since their completion, construction opportunities have been skewed more towards urban transport infrastructure. Given that Indigenous populations are more heavily weighted towards those remote areas, there have not been as many opportunities for Indigenous employees.

Despite the aforementioned demographic changes, a range of initiatives are being pursued to improve Indigenous employment and participation in the workforce.

CPB Contractors recognised a 'Most Valuable Partner' by CareerTrackers

CPB Contractors' work in supporting the future of Indigenous leadership in Australia has been recognised at CareerTrackers' annual gala event in Sydney, with a 'Most Valuable Partner' award for outstanding commitment, participation and leadership. CPB Contractors' CareerTrackers internships are genuine training and employment pathways, with an equal footing for interns to access opportunities such as the CIMIC Group Graduate Program. Currently, seven Indigenous CareerTrackers interns have been successful in securing spots in the Graduate Program.

Over the summer vacation (2016-2017), CPB Contractors placed 18 Indigenous university students into internships at projects and in their corporate office, across disciplines including Engineering, Finance and Community Engagement. Since 2010, CPB Contractors has supported 59 Indigenous university students in completing internships through CareerTrackers. CPB Contactors was also the first corporate organisation in Australia to sign a 10-year partnership with CareerTrackers under the 10x10 Program.

[51] Includes subcontractors of CPB Contractors, Thiess and UGL.

14 new Indigenous starters complete induction program
WestConnex M4 East and the New M5, being delivered by a consortium including CPB Contractors, have welcomed 14 new starters who completed the Aboriginal and Torres Strait Islander Pre-Employment Program. This Program was designed to assist participants with backgrounds in related industries to prepare for work on a major infrastructure project.

The WestConnex participants (seven from the M4 East and seven from the New M5) took part in a two-week residential TAFE program which included course work (60% of a Certificate II in Civil Construction), team building activities, cultural teaching, and reflection and discussion. Current WestConnex staff from both Indigenous and non-Indigenous backgrounds visited the group and provided advice on what it takes to succeed in the construction industry. The program was run by the M4 East and New M5 Training Academy, in conjunction with Aboriginal Employment Strategy (AES) and Western Sydney TAFE, who worked together to facilitate the program and provide the candidates who were interviewed and selected by the project supervisors and superintendents.

Local employment

CIMIC is committed to investing in local employment to ensure that our future workforce is reflective of the countries in which we operate. We aspire to be an employer of choice in the regions in which we operate. Across our major contracting businesses, we are achieving a relatively high level of local participation as seen in the table below:

Nationals (as a % of workforce)	2017	2016[52]
Group	94	-

Training delivering results in India
With more than 9,000 direct employees in our Indian operations, the Leighton Asia team has developed targeted training and well-being initiatives that support the development of employees and aligns with our business requirements. Leighton Asia has partnered with a well-recognised professional trade school in India to market, recruit and deliver courses to our direct, skilled and trade trained workers. The courses are approved and certified by the Construction Skills Development Council of India, as well as the Australian Technical and Further Education training provider, or TAFE as it is known in Australia.

The courses consist of three months of on-the-job training and six weeks at a training centre, covering essential work skills such as welding, scaffolding, mechanical, electrical, plumbing and steel fixing. Safety awareness is a vital part of the training with a comprehensive safety training module included in all programs. The courses have been undertaken by 2,083 employees so far. Additional trade skills courses will be added during the year.

Inclusive workplaces

CIMIC seeks to cultivate an inclusive workplace of fairness and equity which fosters the unique skills and talent of our people. Ensuring we have the right balance of age groups in our workforce is also important to CIMIC Group. We need to retain the experience that mature age workers have gained from working in our industry and our organisations for long periods. Our Operating Companies are working towards achieving this goal.

Age distribution of the Group's workforce (%) – staff only	Male	Female
<30	26.6	2.3
30-40	33.1	3.4
41-50	19.2	2.1
51-60	9.2	1.2
>60	2.6	0.3

Additionally, we need to continually recruit younger talent that will facilitate succession planning and support our ability to build capable leadership for the future.

Unconscious bias training
In 2017, CIMIC launched unconscious bias training for leaders, from supervisors to senior executives and those involved in recruitment. Unconscious biases are social stereotypes about certain groups of people that individuals form outside their own conscious awareness. Everyone holds unconscious beliefs about various social and identity groups, and these biases stem from one's tendency to organize social worlds by categorizing.

As a starting point, we need to understand our unconscious biases – be they related to gender, race, ability, sexual preference, religion or any other individual characteristic – and how they can influence our decisions and behaviour towards others. Awareness helps us avoid incorrect assumptions and maximising the contribution of others.

Our unconscious bias training builds on other initiatives we put in place in 2017, including a new equal employment opportunity, discrimination, bullying and harassment training program, a refreshed Code of Conduct e-learning module and workforce reporting to track diversity participation.

[52] 2016 figures were not collected or available.

REWARD PERFORMANCE

We believe that the role of remuneration is to motivate, recognise and fairly compensate employees to achieve business objectives and contribute to the Group’s sustainability, for the benefit of shareholders and our people. CIMIC encourages individual accountability and reward performance against clearly defined roles and goals. We believe that people perform best when they have clearly defined goals and when they are empowered to operate and are held accountable for delivering.

The Remuneration Report in this Annual Report sets out the components and the Group’s approach to remuneration of senior and other executives.

In 2013, the Leighton Superannuation Plan and the AMEC Superannuation Fund members were transferred to the defined contribution category within the same plan. As a result, there are no defined benefit superannuation plans at year end.

Individual responsibility

Accountability is one of the Principles and we encourage individuals to take responsibility for their role and to make decisions aligned with Group's mission, principles and strategies.

Accountability is about taking responsibility for achieving outcomes and focusing on finding solutions. We believe that people perform best when they have clearly defined goals and when they are empowered to operate and are held accountable for delivering. This assists us to foster a culture of high performance.

Accountability means that employees know what they need to do and are committed to delivering. For CIMIC people, it also means being an example to our colleagues, taking pride in what we do, owning mistakes and correcting them, and prioritising safety, so that our people take care of their colleagues and themselves. Accountability applies whether our people are leading a business, a small team, or themselves as they interact with a colleague or solve a problem with a client.

Measurable goals

At CIMIC, we set clearly defined and measurable goals aligned with the Group's principles and objectives. Performance management aims to develop and evaluate the individual in line with the organisation’s strategic plans and objectives. Performance management is not an annual event but an ongoing process that allows employees to develop, deliver value to the organisation and meet their aspirations.

Each of our Operating Companies has a framework for managing the performance of its people. Skill mapping against role requirements is used to identify gaps in capability and consistently and equitably assess employee performance. Regular performance reviews for all staff facilitate the transparent discussion of employee achievement against key performance indicators and expectations.

We continued to review our performance management approach to ensure all employees have their performance reviewed at least annually, and this review is used as the basis for any increases to remuneration as well as for any bonus payments.

In 2017, we continued to refine the Group job level framework and remuneration ranges introduced in 2015, and implemented remuneration ranges for a number of our larger overseas operations. This initiative helps to ensure competitive remuneration levels are consistently applied across the Group’s operations.

OUTLOOK AND FUTURE PLANS

We place considerable emphasis on leadership, responsibility and accountability, and are committed to developing the individual skills and career paths of our employees. In 2018, we plan to:

- further expand the graduate program to Canada and Mongolia;
- undertake Human Rights Impact Assessment in Indonesia;
- continue to undertake Group-wide employee survey of staff and to widen the survey to wages employees;
- extend the neuro-diversity program to other Operating Companies;
- pilot a partnership with DCC Careers to attract more women through recruitment;
- use results of 2017 talent reviews and succession planning as basis for development planning;
- ‘One’ leadership program to include a rollout of the Leading Managers program;
- implement an online learning laboratory for all employees;
- continue to roll-out unconscious bias training; and
- continue to refine our performance management systems to provide more focus on setting objectives and targets, providing feedback, and developing the knowledge and expertise of our people.

THIESS

The world's largest mining services provider commited to delivering sustainable mining solutions.

Photo: Rocky's Reward, Western Australia, Thiess.

INNOVATION

OUR APPROACH

Innovation is one of the Group's principles and is critical to our future. We define innovations as repeatable, new and better ways that increase value for the Group – from idea generation to implementation.

We seek to foster innovation, capture knowledge, encourage collaboration, manage risk and to focus on the future. Many of the projects that we deliver are bespoke and so our clients depend on our use of innovative technology and business systems to deliver operational excellence and to pioneer new and better ways to overcome challenges. By working closely with clients, partners, suppliers and subcontractors, we solve tomorrow's problems today through world-class expertise, management and quality.

Foster innovation	
Measures in place	▪ innovation embedded in Group's principles, Sustainability Policy and the mission of EIC Activities ▪ dedicated engineering and technical services business – EIC Activities – leads Group's commitment to innovation ▪ EIC Activities employees commit to spend 10% of their time on innovation projects ▪ Spigit software platform to capture innovations
Actions taken during 2017	▪ launched innovation program campaign to systematically identify ways to make our operations safer and more efficient or effective and expand our operations with new products and services ▪ trained 650 employees in the use of BIM and GIS
Performance	▪ BIM and GIS used on 290 projects up from 194 in 2016 ▪ EIC Activities' employees achieved innovation time of 10% and spent 12,000 hours on innovation ▪ Leighton Asia's Mass Transit Railway - South Island Line (East) project in Hong Kong awarded the British Construction Industry 2017 International Project of the Year Award. ▪ CPB Contractors' Post Entry Quarantine Facility Project in Victoria awarded the Master Builders Association of Victoria's Excellence in Construction Awards (MBAVECA) for Excellence in Construction of Industrial Buildings ▪ CPB Contractors' Melbourne International Roll-on Roll-off Automotive Terminal (MIRRAT) in Victoria awarded the MBAVECA's Best Sustainable Project ▪ CPB Contractors' Wynyard Walk project in New South Wales awarded the Association of Consulting Structural Engineers' NSW 2016 excellence in Engineering Awards in the category of Award for Large Building Projects
Capture knowledge	
Measures in place	▪ Interactive Project Knowledge Library (iPKL)
Actions taken during 2017	▪ EIC Activities provided training and webinars to over 3,800 participants during 2017 ▪ EIC Activities hosted 21 best practice 'Webinar Wednesdays', watched by over 1,400 people ▪ conducted 31 applied technical training webinars (up from 10 in 2016) with 1000+ webinar viewings
Performance	▪ iPKL expanded to capturing details of over 1,950 projects with over 30,000 documents, including 544 case studies ▪ achieved Australian first BSI[53] BIM Design and Construction KITEMARK certification - BSI PAS 1192-2, BS 1192 and BS 1192-4
Encourage collaboration	
Measures in place	▪ 23 communities of practice established in iPKL to promote collaboration across the Group
Actions taken during 2017	▪ supported launch of Beyond Zero Emissions' zero carbon industry plan 'Rethinking Cement' ▪ five Green Standard projects registered in 2017 and seven certifications received ▪ building projects have received 91 Green Star certifications since 2006 ▪ 54 employees accredited to 'green project' standards
Performance	▪ CPB Contractors is Australia's leading sustainability contractor having 19 registrations or certifications from ISCA ▪ $2.7 billion of revenue generated from CPB Contractors' sustainably rated or 'green' projects

[53] The British Standards Institution (BSI) Kitemark for Design and Construction provides independent and impartial evidence that companies are delivering Building Information Modelling (BIM) projects.

Manage risk	
Measures in place	▪ Risk Policy; Risk Management Policy; Business Resilience Policy; and Quality Management Policy ▪ risk management framework based on ISO 31000:2009 ▪ quality management systems based on ISO 9001:2008
Actions taken during 2017	▪ relevant aspects of the Risk Policy and procedures included in the Tender Policy to ensure a more rigorous approach to risk management at tender stage. ▪ 64 tender review management committee meetings were held across the Group to assess tenders that were being submitted to clients to ensure they complied with Tender Policy and were measured against the work being tendered.
Performance	▪ risk management framework embedded within existing processes and aligned to the Group's objectives, both short and longer term
Focus on the future	
Measures in place	▪ Risk Policy; Risk Management Policy; Group Strategy Policy; annual strategic plan
Actions taken during 2017	▪ undertaken systematic review of potential longer-term risks and opportunities for the business
Performance	▪ identified risks and opportunities captured in Group's risk matrix

Creating value

The Group's shared Principles, which include innovation, help the Company to generate sustainable cash-backed profits which creates value for shareholders. The direct economic value, as defined by the GRI, that CIMIC generated and distributed over the past three years is set out in the table below.

Economic value created (A$m)[54]	**2017**	**2016**	**2015**
Economic value generated: Revenue	13,429	10,847	13,273
Economic value distributed	(12,625)	(10,494)	(12,685)
Of which: Operating costs	(8,315)	(7,462)	(8,824)
Employee wages and benefits	(3,530)	(2,432)	(3,059)
Payments to providers of capital	(510)	(412)	(580)
Payments to governments[55]	(269)	(188)	(221)
Community investments	(0.5)	(0.3)	(0.8)
Economic value retained	805	353	588

Other shareholder return metrics can be found in the Operating and Financial Review section and the Remuneration Report within this Annual Report.

But value is more than purely dividends and share appreciation for shareholders. CIMIC creates value in other ways that have significant benefits to communities and society:

- the infrastructure and property projects we construct for clients (roads, railways, hospitals, schools, offices, gas plants, wind farms, water recycling plants, telecommunications lines, etc.) are fundamental to improving the productivity of economies and the quality of people's lives;
- contract mining produces resources (coal, iron ore, nickel, copper, gold, diamonds) which are critical for economic development and prosperity, and help to generate royalties and tax income for governments, stimulate local communities, and generate well paid and secure employment;
- our operations and maintenance services are integral to the upkeep of critical infrastructure – we help keep the lights on, trains rolling, water flowing and motorways tolling;
- by engaging many thousands of subcontractors to provide services to our projects, and the payments we make, we provide employment opportunities and foster local suppliers, many of them in regional and remote communities;
- by generating profits and paying tax, or collecting value-added, payroll or other taxes, we aid governments in their efforts to raise revenue which contributes to the provision of services and supports investment in infrastructure; and
- the innovation of our people leads to safer construction techniques for the industry and new services which can be exported to other markets, ultimately earning income for the country.

[54] Restated for 2014 for comparison to reflect continuing operations after disposals. This calculation follows the formula set by the GRI.
[55] The Group incurred tax expenses of A$430.4 million in 2014 and A$135.1 million in 2013 due to the profits on sale and income from its discontinued operations.

New schools lead to new opportunities

On sites in Auckland, Hamilton and Christchurch in New Zealand, a consortium including CPB Contractors and Pacific Partnerships is constructing five new schools under a NZ$200 million PPP arrangement. The design emphasises dynamic flexible spaces that can work with 40 or 200 students, and support different ways of teaching and learning. The spaces open up for outside learning, are accessible for all abilities and can be used by the community outside of school hours.

After construction, the consortium will maintain the schools for 25-years which means school principals and boards don't have to spend time managing the property. They can focus on education, and that is a win-win for the students and their communities.

FOSTER INNOVATION

We promote a culture where employees are encouraged to adapt, innovate and be self-critical, and to learn from rather than punish failures. This approach also means that we have developed a structured approach to investing in, and supporting, research and development and incubators that will promote innovation and help improve the business.

EIC Activities is CIMIC Group's engineering and technical services business. EIC Activities partners with all of CIMIC Group's Operating Companies in the transport, industrial and resources infrastructure and building sectors across diverse markets. Innovation is embedded in the EIC Activities name which stands for Engineering, Innovation and Capability.

EIC Activities works with teams from the earliest pre-bid, tender and project establishment phases where opportunities to innovate, mitigate risk and add value are strongest. Their diverse team of subject matter experts are some of the industry's most respected engineers, academics and practitioners. The team has extensive project experience across different geographies, markets, clients and contract types – including construct only and design and construct, managing contractor and early contractor involvement, to participating in alliances, PPPs and build-own-operate-transfer (BOOT) projects.

EIC Activities challenges and improves concept designs, construction methods and operations and maintenance practices, increases self-performance and helps deliver competitive solutions. EIC Activities' involvement in tenders and projects consistently results in projects achieving significant cost and program savings, and delivering valued outcomes for clients.

Prefabricated to overcome time, building constraints

Faced with an airport height restriction and tight programme, Leighton Asia's Hong Kong-Zhuhai-Macao Bridge Passenger Clearance Building (PCB) project team has worked collaboratively with their specialist subcontractors and supply chain to split the roof of PCB into segments, and unitised production to pre-assemble 95% of the structure and finishes off-site. Each segment, on average, measuring 52 metres by 28.5 metres, and weighing 600 tonnes, is barged individually into Hong Kong and then lifted and jacked into place. The solution has successfully enabled the delivery of a fast-track, innovative and safe solution, eliminating on-site interfaces and the risk of working at height.

EIC Activities employees are actively encouraged to spend 10% of their time on innovation projects. In 2017, this meant that over 12,000 hours were spent on innovation with 44 approved innovation projects receiving $1.5 million of funding. EIC Activities supports its capability through other technical groups within the ACS Group, including HOCHTIEF, Dragados and Turner.

In 2017, CIMIC launched a Group-wide Innovation Program to further enhance the idea generation and implementation of repeatable, new and better ways that increase value for the Group. The Innovation Program encourages employees to submit their ideas at any time. Additional campaigns will drive targeted idea generation, collaboration, selection and innovation implementation in areas that are important to the Group. The Program utilises a dedicated management software package – Spigit – which enables employees to tap into the collective intelligence of colleagues, partners and customers to find the best ideas and make the right decisions.

Lesson learnt provide guiding light on solar project

Delivering a renewable power project can offer a range of challenges and, when the team has one year to deliver, it is vital to draw on the lessons learnt, proven capabilities and expertise from previous projects. UGL took this approach with the design and construction of the Emu Downs 20MW Solar Farm in Cervantes, Western Australia.

The project started in December 2016 and, despite unseasonal rains coming at a pivotal time in the construction schedule, the project team collaborated to develop some innovative construction methodologies that are driving productivity. A key example is a customised frame the team designed, built and installed to reduce repetitive tasks and keep the solar tracking structures separate while assembling. This frame has improved safety performance by reducing manual handling and is contributing to more efficient production rates at the site.

In 2017, CIMIC launched the inaugural CIMIC Group 2017 Innovation Awards (Awards). The Awards were held to promote and recognise innovators, and to generate new ideas for product and process innovations and ways to improve work safety. The Awards cover three broad categories; occupational safety and health, technology and processes, and energy and environmental protection. The Awards showcased 99 innovations which were developed in workplaces – from the shopfloor and site offices to virtual environments using the latest digital technologies.

CAPTURE KNOWLEDGE

A key facet of innovation is systematically and rigorously capturing knowledge to leverage learnings and to avoid re-invention. CIMIC utilises technology to share knowledge and facilitate access to the Group's intellectual property. We also encourage knowledge capture by integrating this with our reward systems.

After launching its custom built interactive Project Knowledge Library (iPKL) in 2016, EIC Activities has continued to build out and develop this platform. With a user friendly interface and powerful search function, iPKL holds key data from 1,950 completed civil, building and process plant projects.

iPKL holds project resources such as: pre-contract documents, workpack/execution resources, project data sheets, images, case studies, lessons learned, final project reports, innovations, technical papers, award submissions and awards received, capability statements, and more. iPKL provides tender and project teams access to technical and operational knowledge from successful projects. It supports efficient bid preparation and project delivery and, by using it to access and store key information resources, helps the Group to fast track learning, repeat successes and innovate to win challenging projects.

iPKL used on WestConnex New M5 project

A CPB Contractors team at Bexley is responsible for excavating road header tunnels and constructing a ventilation structure within the tunnel for the WestConnex New M5 project. The New M5 will provide twin, 9km long, motorway tunnels and a new underground interchange. The team used iPKL to find final project reports, work packs, work method statements and lessons learnt for tunnel projects that included road header tunnelling, continuously reinforced concrete pavement placement, grouting, tunnel drainage option-eering, waterproofing, formwork and falsework propping.

The team wanted to build on proven practice and gain insights on the construction methods they were considering. iPKL was a treasure chest of documentation from past projects for the team. They not only found what they thought they were looking for, but much more in just a few clicks. Quality teams have also utilised inspection test plans and checklists, and everyone, regardless of their role on the project, has learnt from the safety alerts and safety lessons held in iPKL.

The iPKL platform includes communities of practice which bring the best knowledge from around the Group to the front line of effective project delivery. These communities are designed to facilitate knowledge sharing, informal discussions, question and answer sessions, and the sharing of best practice examples and lessons. The communities of practice include topics such as: asset management; building; concrete and quarry materials; digital engineering; environment; geotechnical; heavy lift; knowledge management; mechanical and electrical engineering; methods and lean; project planning; rail; roads and civil works; structural engineering; survey; sustainability; temporary works; utility management; and water and waste water.

Thiess has established innovation groups – on its intranet – providing a range of useful tools that enable greater efficiency and increased productivity. The intranet provides a dedicated innovation space that allows employees to collaborate with subject-matter-experts and innovation champions, and enables increased knowledge sharing and best practice.

Data step change using multi-rotor UAVs in open cut mines

Mine areas requiring surveying for safety and production purposes can be inaccessible or unsafe for personnel. Thiess researched, designed and implemented the use of two types of multi-rotor unmanned aerial vehicles (UAVs) across four of their Australian open cut sites. This has enabled a step change in the quantity, quality and timeliness of data acquisition using remote technology, and has improved safety and operational predictability while delivering time and cost savings.

The UAVs remove personnel from unsafe work environments and eliminate disruption to production. The customised and low-cost UAV solutions can be used across mining, services and construction projects.

Thiess gathers real time data to improve mining performance

Thiess' OnShift LIVE is an in-house designed and developed reporting platform that places real-time machine performance statistics at the fingertips of decision-makers on mining sites. Productivity and utilisation information is automatically updated and presented in an easy, accessible format that is substantially faster compared to past methods. Currently deployed across three of Thiess' APAC sites, it has helped to minimise costs and maximise performance through optimal fleet allocation and operator management.

Sedgman partners with clients through early involvement and the application of resource engineering capability, leveraging the knowledge gained from their experience to deliver the most commercially effective solutions.

Monitoring vibration remotely

Vibrating screens provide the basic material sizing functionality in a Coal Handling Processing Plant (CHPP). Vibrating screens have a high capital cost and are expensive to replace as they are usually located in the central areas within the CHPP structure. Using simple design methodology, which incorporates accelerometers, and in-house developed software, Sedgman devised tools that enable screen vibration characteristics to be monitored remotely. Both preventative monitoring and remedial monitoring can be undertaken ensuring better management of screen life and greater plant efficiency.

Digital engineering

EIC Activities is leading the Group's digital engineering technologies – BIM and GIS – which enable project teams to collaborate in virtual environments. Our Operating Companies are rapidly moving on from traditional practices where 2D (two-dimensional) drawings were used for planning and construction teams made adjustments on-site during the building process.

3D visualisation solution tracks project progress

Sedgman has identified an opportunity to use technology to capture, assess and objectively evaluate construction progress on mineral processing plants. Doing so has helped to improve their business practices, driving greater efficiency, accuracy and objectivity.
EIC Activities assisted Sedgman to find and implement some newly developed and innovative software to avoid the need for the typical, semi-regular, physical surveys of construction progress. The new software compares extremely accurate laser scanned survey data with the design BIM model. The software comprehensively reports on the completion status of a project and also captures the spatial conformance of all elements being constructed to the design. Implementation has resulted in:

- productivity gains, by eliminating the need for on-site visual assessments;
- greater precision, reliability and objectivity in measuring construction progress; and
- increased accuracy in determining the financial status and performance of a project.

Today, across the CIMIC Group, we are applying the digital engineering process and our teams are collaborating in virtual environments – ranging up to 6D and XD – and making powerful information available in the field which is improving day-to-day tasks and project performance. BIM extends the dimensions we work in to add value and improve outcomes with the additional dimensions being:

- 3D – provides visualisation and coordination of a project's scope;
- 4D – show how a project's schedule will develop sequentially;
- 5D – integrates accurate costs information about a project;
- 6D – incorporates project lifecycle information and considers the whole-of life cost of a project; and
- XD – allows for analysis and improved data access and linkages.

BIM is used for generating and managing digital information with virtual models representing the project scope and existing interfaces. Teams build digitally first using integrated data and technologies to measure, map, visualise and control project delivery and outcomes.

Digital engineering is increasingly being mandated by clients and is becoming the norm for tenders and projects in construction, mining, mineral processing and services.

A digital transformation in India

Leighton Asia's business in India is setting up for success by using digital engineering to streamline design and construction. Digital engineering specialists from Leighton Asia and EIC Activities are working together to optimise solutions and share learnings across the Group. One project recently used a 3D model to proof a client's design and identified an escalator clashing with a major beam. Resolving issues like this, before going to site, mitigates risks and allows proper planning ahead of the game.

Most recently, EIC Activities has been working with project teams to implement 4D modelling which improves schedule integrity through simulation. 4D modelling adds a time dimension to a 3D Computer Assisted Design (CAD) model, enabling teams to analyse the sequence of events on a timeline and to visualise the time it takes to complete tasks within the construction process.

Leighton Asia is now moving to the next level and working with EIC Activities to embed digital engineering into business practices, standards and templates. They are also creating a virtual model of the way they construct and a virtual catalogue of the products used and built with. With these tools in place Leighton Asia can take safe, efficient and consistent processes and methodologies from site to site.

CIMIC's expertise in, and, application of, BIM for design and construction has been recognised by the global market leader in business standards, the British Standards Institution (BSI). CIMIC is currently the only company in Australia to have received the acknowledgment of BSI Kitemark for Design and Construction - BSI PAS 1192-2, BS 1192 and BS 1192-4.

BSI has assessed CIMIC Group's delivery of projects to contract requirements, measurement and monitoring of client satisfaction against the delivery of a project, and the management of the supply chain or our role within it. BSI Kitemark certification:

- demonstrates the Group's BIM maturity;
- helps to embed collaboration on BIM projects across the supply chain;
- measures the satisfaction of the Group's clients; and
- provides a competitive edge when bidding for BIM tenders.

BSI certification demonstrates to customers, competitors, suppliers, staff, and investors that CIMIC's management systems are of an industry-respected, best practice standard. In a competitive market, the BSI Kitemark proves CIMIC's BIM credentials.

The Group is also implementing GIS across a range of projects which enables the integration, storage and analysis of geographic information to improve the effectiveness of project design, planning and delivery. GIS can integrate and support analysis of topographic, environmental, demographic and land use data to help with business decisions and project management.

Geographic Information Systems assisted permit-to-excavate

On the 4km Torrens Road to River Torrens project in South Australia, which includes the largest program of service relocations (i.e. water, gas, power, sewerage, etc.) ever undertaken in South Australia, EIC Activities has developed a GIS assisted Permit-To-Excavate (PTE) program in collaboration with CPB Contractors. The GIS PTE solution provides field teams with greater access to more accurate underground utilities information – critical for safe excavation, avoiding services strikes and keeping projects on schedule.

The GIS PTE program provides a single point of reference for utility and excavation permit information. The easy-to-read excavation maps use consistent symbols, show all impacted utilities and encourage spatial thinking. A key feature is its self-service web application which allows everyone on the project - in the office and in the field - to view, search and submit excavation permits. It provides timely information, supports decision making and increases everyone's safety.

Twelve months ago, our projects and sites across the Group were accessing 250,000 maps per week and, at the end of 2017, that figure is three million maps per week on our GIS platform.

EIC uses GIS to improve concrete supply

CPB Contractors, in joint venture, is delivering two tunnelling projects on Sydney's massive WestConnex motorway. Construction will require in excess of 1 million cubic metres of concrete – the equivalent of more than 2,500 Olympic swimming pools. Certainty of service delivery, within the specified time limits, is critical for a successful project.

EIC Activities developed a GIS algorithm to map the capability and potential routes of each potential concrete supplier, under a range of conditions (i.e. considering traffic flows in peak hours), to meet the strict supply requirements. As no single supplier had the capability to fulfill the entire requirements, GIS was used to establish preferred suppliers (and back-ups) for each delivery site. EIC Activities' GIS work assisted in delivering savings of tens of millions of dollars while ensuring a consistent, guaranteed concrete supply within the required delivery time limits.

CIMIC currently has 290 projects (including in Ventia) using GIS data and BIM technology, up from 194 in 2016. In 2017, we trained more than 650 people in the use of BIM and GIS.

Technical training

During the year, EIC Activities continued to deliver its 'Webinar Wednesday' program. Held every second Wednesday, EIC Activities and watched by more than 1,400 employees in 2017, EIC Activities hosted 21 webinars covering a range of engineering-related topics with a focus on risks and opportunities, best practice and emerging technologies.

The webinars aim to promote discussion and socialisation of technical knowledge throughout the Group and connect colleagues interested in a variety of engineering topics. The roughly 40-minute webinars are interactive, with a question and answer session at the end of each presentation. For those who miss the live session, the webinars are available on the intranet for viewing later.

Subjects covered in 2017 included:

- Understand your Roadworks Specifications
- Supporting Incremental & Transformational Business Improvement
- Dam Engineering
- Laser Scanning: Supporting BIM Workflows
- Ballasted, Slab and Embedded Rail Track – Why and Where
- GIS: Thinking Outside the Map
- Virtual Reality – Way Beyond a Toy
- Geoview – Instrumentation Data Management System
- Cement Replacement in Concrete
- ISCA Stakeholder Engagement
- ISCA version 2: Economic Theme Development
- Commissioning: strategies for Success
- AS5100: 2017 Bridge Design
- Sedgman China Procurement Capability
- A Real BIM Story from Sedgman
- Innovation at APLNG
- New ISCA Scorecard
- Lesson Learned in 3D Models
- Project Planning
- Low Level Bridge Replacement
- Applied Technical Knowledge

ENCOURAGE COLLABORATION

CIMIC seeks to support and leverage opportunities for external industry collaboration that may benefit the Group and/or our industries. We aim to develop a leadership position in the delivery of 'green' rated projects and actively encourage clients to mandate the use of these rating systems. CIMIC also promotes and supports research and development projects that have potential to improve the safety, efficiency or sustainability of the industry.

Green rated projects

While for many people, sustainability means 'being green' or 'caring about the environment', it is becoming an increasingly important part of our business. Sustainability is becoming a mandatory feature of many tenders which now require sustainability ratings. Governments are increasingly seeking to integrate sustainability into their procurement in a way that achieves value for money and generates benefits, not only for the project, but also for society and the economy, while minimising damage to the environment.

Melbourne Airport T4 achieves LEED certification

CPB Contractors, in joint venture with their subsidiary Broad Construction, has achieved Leadership in Energy and Environmental Design (LEED) certification from the US Green Building Council for the Melbourne Airport Terminal 4 project. LEED is the most widely used green building rating system in the world and a globally recognised symbol of sustainability achievement.

The project provides an excellent example of CPB Contractors' ability to deliver highly efficient and cost-saving green buildings. Terminal 4's sustainability features include:

- a 90% reduction in waste to landfill;
- 30% recycled content in the building; and
- more than 86% of the wood was sustainably sourced from a certified forest.

The Terminal 4 project included construction of a new 3-storey terminal building with baggage handling and re-claim facilities, check-in kiosks and associated infrastructure, staff amenities, retail areas and connections to existing concourses.

In Australia, some State governments are now mandating that many of their infrastructure projects achieve IS[56] ratings or other sustainability ratings. For example:

State	Agency	Mandate
NSW	Transport for NSW	▪ All projects >$50m CAPEX will pursue an IS Design and as Built rating
	Department of Planning and Environment	▪ All critical state significant infrastructure will consider the use of IS rating scheme and propose a suitable rating type and level for planning approval
QLD	Transport and Main Roads	▪ All projects >$100m CAPEX will pursue an IS rating
WA	Main Roads WA	▪ All projects >$100m CAPEX will pursue an IS rating ▪ All projects <$100m & >$20m will use the IS rating scheme framework for reporting
VIC	Vic Roads	▪ All projects >$100m CAPEX will pursue an IS rating

[56] Infrastructure Sustainability Council of Australia (ISCA), IS International rating tool v1.0, Briefing Pack 2017.

The Group's ability to deliver projects that meet these sustainability specifications is increasingly becoming a source of competitive advantage. CPB Contractors has developed an innovative capability in the area of sustainable buildings and infrastructure. CPB Contractors is currently the leading sustainability contractor in the Australian market, working on or having delivered 18 IS registered or certified projects worth more than A$20 billion in total.

Sustainability integral to construction of Sydney Metro rail project
Stage 2 of the Sydney Metro project – Australia's biggest public transport project – exemplifies the importance that clients are placing on integrating sustainability with construction. CPB Contractors, with its joint venture partners, has been selected by Transport for NSW (TfNSW) to deliver a new metro railway crossing deep under the world-famous Sydney Harbour.

Design and construction works under the A$2.81 billion contract include the delivery of twin 15.5km tunnels, excavation of six new underground stations, and demolition and removal of existing buildings on the construction sites. During tunnelling activities, the total spoil excavated is expected to be around 2.4 million cubic metres which could fill Sydney's Darling Harbour twice.

Sustainability underpins the core project objectives for the Sydney Metro, and is integrated by TfNSW across project targets and initiatives[57]. For TfNSW, 'sustainability' at Sydney Metro means optimising environmental and social outcomes, transport service quality, and cost effectiveness.

The sustainability themes and targets for Sydney Metro are closely aligned with CIMIC's own sustainability commitments. In the environmental area, for example, some of the sustainability initiatives embedded in the contract for the Sydney Metro project include:

- recording zero major pollution incidents;
- offsetting 25% of the electricity needs for the construction phase of the project, reducing carbon emissions by the equivalent of planting 225,800 trees;
- achieving at least a 20% reduction in carbon emissions associated with construction, when compared to business as usual[58];
- achieving 100% beneficial reuse of usable spoil;
- recycling or reusing 90% of recyclable construction and demolition waste;
- recycling or reusing 60% of office waste during the construction phase;
- reducing water use by at least 10% compared to business as usual;
- sourcing at least 33% of the water used in construction from non-potable sources;
- implementing rainwater harvesting and reuse systems at construction sites and above ground stations;
- reducing the environmental footprint of materials used on the project by at least 15% compared to business as usual;
- using concrete which has an average Portland cement replacement level of more than 25%, saving the equivalent carbon emissions of planting 784,000 trees;
- using reinforcing steel where 60% is produced using energy-reducing processes in its manufacture;
- sourcing 100% reused, recycled timber or responsibly sourced timber;
- minimising vegetation clearing; and
- identifying climate change risks and implement climate change initiatives to ensure detailed design and construction activities are resilient to climate change, based on the latest climate change projections.

The initiatives identified by TfNSW demonstrate how clients are seeking to integrate sustainable outcomes in the procurement of infrastructure. This is increasingly becoming policy as noted in the New South Wales Government's Draft Strategy: Future Transport 2056. "Addressing the environmental sustainability of the transport system is essential to minimise direct and indirect impacts on the natural environment. Direct impacts include noise, waste and urban stormwater runoff. Indirect impacts include air pollution, reduced liveability of urban environments and the environmental impacts of materials used by the transport system."[59]

In 2017, CPB Contractors and Leighton Asia reported the following Green Standard projects:

Green Standard construction projects (#)	**Registered as at 31 Dec 2017**	**Cumulative certifications since 2006**
ISCA	8	17
Green Star	0	91
BEAM Plus	1	7
LEED[60]	0	11
Green Roads[61]	2	0

[57] Sydney Metro City & Southwest: Sustainability Strategy 2017-24, July 2017.
[58] 'Business as usual' (BAU) is defined as that which is used in the applicable rating scheme for the respective target (e.g. ISCA Rating Tool, Green Star and TfNSW CERT) – as per the aforementioned Sydney Metro City & Southwest: Sustainability Strategy 2017-24.
[59] Future Transport 2056: Draft Future Transport Strategy 2056, NSW Government, October 2017.
[60] Leadership in Energy and Environmental Design (LEED) is a rating system devised by the United States Green Building Council (USGBC) to evaluate the environmental performance of a building and encourage market transformation towards sustainable design.
[61] Greenroads is an independent non-profit that advances sustainability performance management and education for transportation capital projects.

IS ratings awarded to FMBH level crossing removal and WestConnex New M5
The ISCA has awarded the highest level available in ISCA's IS sustainability rating scheme – a 'Leading Rating' for 'As Built' – to the Furlong Main Blackburn Heatherdale (FMBH) Level Crossing Removal project in Melbourne. The WestConnex New M5 was also awarded a 'Leading Rating' for the design phase with a rating score of 76. Both projects exceeded targeted ratings, demonstrating CPB Contractors' commitment to sustainable outcomes on their projects.

In 2017, CPB Contractors generated revenue of $2.7 billion from sustainably rated or 'green' projects.

CPB Contractors' green project revenue ($m)	2017	2016	2015
Total	2,703	2,083	1,922

CPB Contractors' ability to deliver quality, reliable and resilient buildings and infrastructure that serves the short and long-term needs of people and communities positions the company well for the future.

Excellence in Construction Award for Melbourne International Ro-Ro Terminal (MIRRAT)
The Master Builders Association of Victoria awarded their Excellence in Construction - Best Sustainable Project award to Melbourne's International Ro-Ro Terminal (MIRRAT) which was constructed by CPB Contractors. While the physical centrepiece of this facility is a world's best practice '6 Star Green Star' 'As Built' rated building, a host of other less obvious achievements make it a stand out.

A 100kW solar panel system generates the equivalent of 75% of the energy used by the administration building and 260,000 tonnes of recycled concrete, brick, glass and asphalt replaced virgin materials during the construction of the hard stand areas. Water sensitive urban design features, such as bio-retention wetland basins, are used to improve the quality of stormwater runoff from the large car parking areas.

Setting an example, CIMIC and its Operating Companies are headquartered in a number of green rated offices including:

Office address	Companies based in this office	Green rating
177 Pacific Hwy, North Sydney, NSW	CIMIC, CPB Contractors, Broad, EIC Activities, Pacific Partnerships, Leighton Properties	5 Star Green Star – Office As Built rating, 5½ Star NABERS Energy rating[62]
567 Collins St, Melbourne, VIC	CPB Contractors, EIC Activities, Pacific Partnerships	5 Star Green Star – Office As Built rating, 5-star NABERS Energy and Water ratings
HQ South Tower, 520 Wickham Street, Brisbane, QLD	CPB Contractors, Broad, EIC Activities, Pacific Partnerships	6 Star Green Star - Office Interiors, 6 Star Green Star - Office As Built
202 Pier Street, Perth WA	CPB Contractors, Broad, EIC Activities	5.5 Star NABERS Energy rating, 3.5 Star NABERS Water Rating
179 Grey Street, South Bank QLD	Thiess	3.5 Star NABERS Energy rating
40 Miller Street, North Sydney, NSW	UGL	5 Star NABERS Energy rating
Sun Hung Kai Centre, 30 Harbour Road, Hong Kong	Leighton Asia	LEED Silver certification

Collaboration with industry and NGOs

The Group seeks to support and leverage opportunities for external industry collaboration that may benefit the Group and/or our industries. Any collaboration is undertaken within the boundaries of the Code of Conduct.

Team work at iron ore mine
An iron ore mine at Western Australia has seen collaboration internally and externally to deliver a significant expansion project. Sedgman, together with its joint venture partner Civmec (the SCJV), had a key role at the site undertaking engineering, procurement, construction and commissioning work.

Recognising that CPB Contractors had previously performed a succession of project scopes at the iron ore mine, the SCJV worked with CPB Contractors to complete the bulk earthworks at the site for the expansion. The scope of works includes installation of a primary crusher, a surge bin and a 6.2km overland conveyor linking to the existing downstream facility. The work included:

- moving more that 1 million m3 of earthworks material;
- placing more than 6,000m3 of concrete;
- transporting more than 3,000 tonnes of steelwork to site in modular sections from China, with the largest section measuring 15m wide; and
- a number of crane lifts, the largest of which was a 260 tonne container used for raw and unprocessed ore (a ROM bin).

CPB Contractors' construction team, leveraging its extensive site knowledge and experience, used Sedgman's 12D CAD models to install GPS machine guidance on key earthwork plant to ensure the accuracy of the build matched the final optimised design. Further demonstrating the benefits of the CIMIC Group companies working together, EIC Activities was also involved at the iron ore mine, providing technical engineering support for the project.

[62] The office at 177 Pacific Highway received a 5½ star NABERS Energy Base Building rating out of a possible 6 stars in January 2018.

The Group's Operating Companies have been encouraged to build strong relationships with industry and not-for-profit groups, including Non-Governmental Organisations (NGOs), at local, regional and national levels, as part of our commitment to achieving sustainable outcomes for the Group, our industries and the broader community. The Group does have membership of a number of trade associations and industry groups. All corporate memberships of industry bodies relevant to the Group's business require CEO approval and membership will be coordinated by CIMIC.

The Group partners with and/or is a member of organisations such as:

- AUSTMINE (Australian Mining Equipment and services export association)
- Australian Asphalt Pavement Association
- Australian Association of Graduate Employers
- Australian Chamber of Commerce and Industry
- Australian Coal Preparation Society
- Australian Constructors Association
- Australian Industry Group
- Australian Institute of Building
- Australian Institute of Company Directors
- Australia-Latin America Business Council
- Australian Mines & Metals Association
- Australian Shareholders' Association
- Australian Society of Concrete Paving (ASCP)
- buildingSMART Australasia
- Business Council of Australia
- Chamber of Commerce (local industry networks)
- Chamber of Minerals and Energy of Western Australia
- Civil Contractors Federation
- Committee of Economic Development of Australia
- Concrete Institute of Australia
- Consult Australia
- Corporate Tax Association (of Australia)
- Curtin University's Advanced Technologies Research and Innovation Alliance (CATRINA)
- Diversity Council of Australia
- Engineers Australia
- Green Building Council of Australia
- Industry Capability Network
- Infrastructure Association of Queensland (IAQ)
- Infrastructure Partnerships Australia
- Infrastructure Sustainability Council of Australia
- International Project Finance Association
- International Road Federation
- Lean Construction Institute
- Master Builders Association (various state branches)
- Minerals Council of Australia
- National Association of Women in Construction
- New South Wales Minerals Council
- Permanent Way Institution
- Property Council of Australia
- Queensland Natural Gas Exploration & Production Industry Safety Forum
- QRC (Queensland Resources Council)
- Roads Australia
- Queensland Resource Council
- Safety Institute of Australia
- South Australian Chamber of Mines and Energy
- Spanish-Australian Chamber of Commerce
- Supply Nation
- The Association for Payroll Specialists
- Women in Mining
- Infrastructure New Zealand
- Business Leaders' Health and Safety Forum (NZ)
- STRATERRA (Natural Resources of New Zealand)
- Asosiasi Kontraktor Indonesia (Indonesian Contractors Association)
- Asosiasi Pertambangan Batubara Indonesia
- Indonesia Australia Business Council
- Indonesian Mining Services Association (IMSA – ASPINDO)
- Indonesian Mining Association
- AustCham (The Australian Chamber of Commerce Hong Kong and Macau)
- Business Environment Council (Hong Kong)
- Green Building Council (Hong Kong)
- Hong Kong Construction Association
- Hong Kong Federation of Electrical and Mechanical Contractors
- The Lighthouse Club (Hong Kong and the Philippines)
- Association of Structural Engineers of the Philippines
- Makati Business Club (Philippines)
- Philippines Constructors Association
- Building and Construction Authority (Singapore)
- Singapore Business Federation
- Singapore Contractors Association Ltd
- Tunnelling and Underground Construction Society (Singapore)
- Masters Builders Association Malaysia
- Confederation of Indian Industry
- Royal Institution of Chartered Surveyors (India)
- Alberta Mine Safety Association
- Botswana Chamber of Mines
- Southern African Institute of Mining and Metallurgy

UGL in industry partnership to improve project delivery

Western Australia's Curtin University and UGL have formed a new industry partnership to establish national standards for leaner maintenance practices, aiming to improve project delivery and turnaround times. UGL will work in collaboration with Curtin's Advanced Technologies Research and Innovation Alliance (CATRINA).

CATRINA is an industry-led alliance, with the aim of enhancing collaboration between major clients, technology providers, contractors and academics to solve productivity issues in Australia. The alliance strives to improve productivity in engineering, fabrication, construction and project maintenance. Curtin and UGL welcome other industry operators to partner with CATRINA to help drive research in lean practices, innovative technologies, and building information modelling that could benefit business and get projects delivered on time and on budget.

Research and development

CIMIC actively promotes and supports research and development projects that have potential to improve the safety, efficiency or sustainability of the industry.

Geotechnics make a difference

Unseen by most of us, substructures anchor the buildings and infrastructure we construct and operate. Built below ground (footings, piles, tunnels) and with earth (embankments, slopes, retaining walls), substructures play a key role in every asset's settlement, stability, and serviceability.

EIC Activities employs geotechnical specialists who are leaders in the fields of soft soil engineering and earthworks. The advice they can provide, and solutions they develop, can save significant time and costs, and be the difference between winning and losing a tender.

EIC Activities' approach is built on technical expertise, field experience and modelling. They look at every challenge from the first principles of physics and soil mechanics to establish strong technical justification, and use advanced numerical modelling to demonstrate that the solution meets project requirements. The combination brings teams, their design consultants, verifiers and clients on board with an optimal solution. In recent examples, the team's geotechnical advice on a mine infrastructure earthworks strategy achieved cost savings of 20% and design optimisation for a pedestrian tunnel saved three months in time.

MANAGING RISK

CIMIC is committed to having a risk management framework in place to identify, assess and treat risks that have the potential to impact materially the operations, people, and reputation, environment and communities in which the Group works, and the financial prospects of the Group.

The CIMIC Risk Management Framework is tailored to its business, embedded mostly within existing processes and aligned to the Company's objectives, both short and longer-term. The Framework is based on International Standard ISO 31000:2009 'Risk management – principles and guidelines', and forms the basis for CIMIC's risk management activities. This framework incorporates the maintenance of comprehensive policies, procedures and guidelines which span the Group's diverse contracting and project development activities, including setting financial controls, conducting business audits, investment and acquisition overview, and ensuring high standards in corporate communications and external affairs.

Given the diversity of the Group's operations and the breadth of its geographies and markets, a wide range of risk factors have the potential to affect the achievement of business objectives. The Group's key risks, including those arising due to externalities such as the economic, natural and social operating environments, are set out in the table in the Operating and Financial Review Section in this Annual Report, together with the Group's approach to managing those risks.

Mine technology provides new safety benefits

Australian technology, previously used only in underground mines, is now improving risk, safety and communication on CPB Contractors' WestConnex M4 East project. The 6.5km Sydney tunnel project has employed Mine Site Technology (MST) to track all underground workers and vehicles at all times.

Using a shock and vibration-resistant Wi-Fi network, the system enables the location of all personnel and plant underground to be known as well as workers to carry mobile phones so they can speak directly to the surface and send text messages. Individual tracking tags are also attached to safety lamps and can be affixed to helmets. The system is being used every day for general safety and communication requirements but would also be critical in an emergency.

The Wi-Fi system also allows remote connection to equipment and tunnel guidance systems to download any machine faults or performance parameters, as well as updating tunnel guidance systems with the latest tunnel profile information. The Australian MST innovation has set a new standard in underground communication and safety in construction, connecting and ensuring the safety of the 250 tunnellers who are delivering this major project.

The Group's Governance System includes a broadly encompassing set of Charters, Codes, Policies, Procedures and supporting documents (i.e. tools, reference material, forms, etc.) which are the foundation to drive a systematic, planned and consistent approach to meet the requirements of the business, clients and other stakeholders, and to ensure compliance with all regulatory obligations.

The Board has established three Board Committees to help discharge its governance responsibilities, the:
- Audit and Risk Committee (ARC);
- Ethics, Compliance and Sustainability Committee (ECSC); and
- Remuneration and Nomination Committee,

and each has a formal charter setting out the matters relevant to the composition and operation of such Committees.

The recognition and management of risk is embedded in all activities of the Group and is a core part of our culture. The Group's exposure to risk stems from its broad and evolving business risk profile, which covers areas including operations, safety, reputation, regulation, contracts, human resources, finance, information and strategy.

Reducing risk when replacing a critical railway bridge
CPB Contractors was contracted to remove and replace a critical rail bridge on a line linking BHP Billiton's Newman iron ore mine to Port Hedland in a remote part of Western Australia. The replacement was executed as a pilot project within a very tight 12-hour shutdown period and the project would have incurred significant penalties if not delivered in time.

The methodology incorporated self-propelled mobile transporters for moving the old bridge, and jacks and skids for the new bridge installation. EIC helped to produce the winning tender solution and, post the award of the contract, provided geotechnical, hydraulic and heavy lift engineering expertise, and a full time engineer to oversee the rail scope of works. Utilising this innovative installation method, the project delivery team challenged the tender installation method and delivered significant reductions in risk and manpower savings, whilst successfully meeting BHP Billiton's objectives of keeping the line safe and operational. CPB Contractors is hopeful that their successful delivery of the pilot will lead to future projects with BHP Billiton.

The Group utilises its Pre-contracts Information Management System (PIMS) to assess prospects, manage tenders and coordinate approvals. Feeding into this process, the Group uses its Computer Aided Tendering System (CATS) tender software to prepare accurate estimates for tenders. CATS helps to provide a standardised approach to estimating, ensuring that quantities, prices and other variables are accounted for so as to produce clear and accurate forecasts.

Quality

Delivering quality projects that meet our client's and other stakeholder requirements is the result of good planning and skilful execution. A quality outcome is a function of how we manage risk and everyone has accountabilities in this regard.

Across the Group, we have people in pure quality and systems roles with direct accountability for ensuring compliance with ISO 9001:2008 Quality Management Systems. These people also coordinate with key stakeholders and subject matter experts to improve our procedures so we work more efficiently and develop effective controls to ensure that work is done in compliance with quality requirements. The Group's quality certification includes:
- Thiess – AS/NZS ISO 9001 (DNV-GL Quality System Certification);
- CPB Contractors – AS/NZS ISO 9001:2008 (SGS Quality System Certification);
- Leighton Asia – ISO 9001:2008 (India, Singapore, Malaysia, Indonesia - Lloyd's Quality System Certification, Hong Kong – HKQAA Quality System Certification, Philippines – Bureau Veritas Quality System Verification);
- UGL – AS/NZS ISO 9001 (Bureau Veritas Quality System Verification); and
- Sedgman – ISO 9001:2015 (SAI Global)[63].

Quality delivery at the Post Entry Quarantine Facility
CPB Contractors has successfully delivered the Australian Government's new $300 million Post Entry Quarantine (PEQ) Facility in Victoria, where imported animals and plants are held for a specified period in a quarantined environment before release. The new PEQ Facility plays a critical role in keeping Australia safe from exotic pests and diseases. The PEQ Facility has a gross floor area of over 50,000m2, consisting of seven principal quarantine compounds and numerous administrative and support buildings across a 144-hectare site.

CPB Contractors' quality assurance program ensured that all facilities handed over were ready to operate. This included implementing a stringent quality assurance plan, developed and verified by an independent Commonwealth approved third party assessor. Facilities had to be handed over defect-free – it was not an option to perform rectification work in an operational bio-containment zone. And despite the challenges, the PEQ facility was delivered with an exemplary safety record. The project team completed 1.7 million hours of work with no LTIs and maintained a strong focus on the safety of Commonwealth staff and quarantined animals in operational compounds at all times.

[63] Certification covers Sedgman's Brisbane, Perth, Gold Coast and Santiago offices for the following scope: the provision of consultancy, concept and feasibility study management, building services design, engineering design and procurement, construction contract administration, and environmental and planning services to the urban development and resources sector. Additional locations are planned for addition to the certification in 2018.

The results were acknowledged by Master Builders of Victoria who recognised CPB Contractors with their prestigious Excellence in Construction of Industrial Buildings Award. A fitting result for quality of the project that was delivered. At the time of this Report, PEQ is also a finalist in the 2018 Australian Construction Achievement Award.

FOCUS ON THE FUTURE

CIMIC is focused on actively monitoring the Group's existing and potential markets for disruptions, trends or changes that may present risk or opportunities, and actively capitalising on opportunities. Some of these potential disruptions, trends or changes that could impact on the Group include, climate change, increased usage of renewable energy, and electric and autonomous vehicles.

Climate change

It is widely recognised that warming of the planet, caused by greenhouse gas emissions, poses serious risks to the global economy and will have an impact across many economic sectors. CIMIC is committed to increasing resilience to climate risks by undertaking risk assessments, and by designing and adapting activities to respond to potential and actual impacts.

As outlined in more detail in the sub-section 'Build Resilience To Climate Risks' on page 149, CIMIC has reviewed the recommendations of the Financial Stability Board's industry-led task force: the Task Force on Climate-related Financial Disclosures (TCFD) which assesses climate-related risks and opportunities. Some of the high-level implications of climate change are expected to be that:

- increasing levels of acute and chronic risks are likely to lead to a range of construction opportunities (and increased revenues) from remediation work and investments to create greater resilience to the potential effects of climate change;
- while the contract mining of thermal coal is unlikely to see growth in the mid-to-longer term, it will remain a relatively stable market for the foreseeable future; and
- contract mining activities will be supplemented by opportunities to provide these services for other resources such as lithium for use in alternative technologies such as batteries.

Renewable energy

The International Energy Agency has identified the likely growth in renewable energy over the next 20+ years. "In our main scenario, a 30% rise in global energy demand to 2040 means an increase in consumption for all modern fuels, but the global aggregates masks a multitude of diverse trends and significant switching between fuels. Moreover, hundreds of millions of people are still left in 2040 without basic energy services. Globally, renewable energy – the subject of an in-depth focus in World Energy Outlook (WEO) 2016 – sees by far the fastest growth. Natural gas fares best among the fossil fuels, with consumption rising by 50%. Growth in oil demand slows over the projection period, but tops 103 million barrels per day (mb/d) by 2040. Coal use is hit hard by environmental concerns and, after the rapid expansion of recent years, growth essentially grinds to a halt."[64]

CIMIC sees that growth of renewable energy supply will generate construction and operations and maintenance opportunities where both CPB Contractors and UGL have significant experience.

Contracts to design and build new solar farms

In 2017, UGL was awarded four Engineering, Procurement and Construction (EPC) contracts for solar farms in Queensland, New South Wales and Victoria. UGL will provide Operation and Maintenance (O&M) services at all the solar farms.

At the Collinsville Solar Farm in Queensland, UGL will deliver and provide O&M services for five years for a project that will diversify the power supply network and provide a major source of renewable energy for northern Queensland. The project is expected to generate enough energy to power 15,000 homes.

In New South Wales, UGL will deliver and operate and maintain for two years, with a one-year option, the White Rock Solar Farm, a pioneering hybrid solar/wind renewable energy facility for the New England Tablelands. The facility is expected to generate 46,000 megawatt hours of electricity, enough to supply the equivalent of 7,200 average New South Wales homes.

UGL was also been awarded a contract to design and build stage one of the Bannerton 110MW DC Solar Park, near Robinvale in Victoria. UGL will undertake EPC work for stage one of the solar park, including the associated substation and grid connection and, once operational, provide O&M services for a two-year period.

UGL has delivered five solar projects and currently has six additional solar projects under construction: Emu Downs in Western Australia; Stages 1 and 2 at Kidston, and the Collinsville project in Queensland; White Rock in New South Wales; and the Bannerton project in Victoria.

[64] International Energy Agency's 2016 Work Energy Outlook.

Electric and autonomous vehicles

As a constructor of transport infrastructure, CIMIC will potentially be impacted by the transition to both electric and autonomous vehicles. While difficult to forecast how and when these transitions will occur, many others, such as the NRMA are grappling with these issues.

"The environmental benefits of alternative fuelled vehicles are immense. Transport emissions currently account for 14% of Australian greenhouse gas emissions. The cars of the future are unlikely to be powered by petrol and diesel as most cars are today. Environmental and societal pressures are being used by regulators to put pressure on Original Equipment Manufacturers (OEMs) to develop cleaner, more efficient vehicles. An autonomous vehicle-led future will also depend on greater uptake of alternative fuel vehicles. Indeed, World Economic Forum research suggests that citizens expect that autonomous vehicles are to be powered by hybrid and electric technology.[65]

Growth in electric cars will take time but it is worth noting that in July 2017, Volvo announced plans to produce only electric or hybrid vehicles from 2019. Hyundai, Honda and Toyota are currently pursuing hydrogen technology while, in 2015, Toyota released the Mirai, one of the first commercially available cars powered by hydrogen. The government of Norway has plans to deploy a hydrogen refuelling network.

At the same time, significant progress is being made on the development of fully autonomous vehicles. Again, the NRMA noted, "As autonomous vehicles progress through greater levels of automation, there may be a requirement for infrastructure modification to support their operation. Autonomous vehicles will eventually need to communicate with each other as well as other infrastructure like bridges, highways, tunnels and buildings. As more and more autonomous vehicles become reality, petrol stations may be replaced with charging stations, highways may require sensors or wireless technological additions, and car parking stations may act as mixed-use spaces. Depending on the technology that is rolled out over the coming years, mobile and wireless networks may need to be upgraded, particularly in rural and regional areas that presently do not have access to fast wireless technology. These potential barriers and challenges will need to be addressed. Current trials around the world will teach us more about the implications for infrastructure and whether or not major upgrades or additions may be necessary for the proper operation of autonomous vehicles."

The combination of electric/hybrid and autonomous vehicles will have significant consequences for a range of industries including mechanical workshops, panel beaters, insurers, chauffers and taxi drivers, truck drivers and couriers, traffic police, etc. However, there is still going to be a need for mass public transport and road infrastructure in the future, especially based on the longer-term forecasts for population growth and urbanisation that will continue to occur in the Group's major markets. This infrastructure is likely to sustain a good level of construction and operations and maintenance opportunities. Additionally, retrofitting existing infrastructure with the necessary technology to support electric and autonomous vehicles should also provide opportunities.

OUTLOOK AND FUTURE PLANS

We are committed to bringing an innovative approach to the successful delivery of projects. In 2018, we plan to:

- continue to work with ISCA to maintain our industry-leading position as a constructor of sustainable infrastructure;
- invest in EIC Activities' research and development of innovative engineering and project management software solutions;
- further develop the iPKL, gathering key data on projects and using the tool to give tender and project teams access to technical and operational knowledge;
- roll out targeted sustainability training sessions in CPB Contractors to senior leaders, pre-contracts and estimators staff, project managers, procurement and project related sustainability and environmental employees on subjects including integrating sustainability into design, the value of ISCA and Green Star ratings, sustainable procurement and, supplier evaluation, amongst others;
- further encourage, through EIC Activities, the sharing of technical engineering excellence across the Group;
- leverage the engineering expertise and experience of our major shareholder, HOCHTIEF, and its related entities; and
- publish our response to the TCFD recommendations.

[65] NRMA, The future of car ownership, August 2017.


W Y
Y A R


WYNYARD

EIC ACTIVITIES

CIMIC Group's engineering and technical services business.

Photo: Wynyard Walk, New South Wales, Australia. Pedestrian tunnel design optimisation by EIC Activities. Design and construction by CPB Contractors.

Photographer Trevor Mein

ENVIRONMENT

OUR APPROACH

CIMIC Group's Operating Companies deliver their services across a range of diverse and sensitive areas. We understand that effective management of the environment is not only an ethical imperative, but it makes commercial sense. An enhanced reputation for environmental management can provide a competitive advantage in winning and delivering work. For these reasons, sound environmental management practices are integral to our people's everyday decisions and processes.

Our environmental sustainability commitments are to:

- prevent the incidence, and mitigate the impact, of any pollution to air, water or land;
- use energy efficiently, reduce energy intensity, utilise renewables when efficient to do so and minimise greenhouse gas emissions;
- use resources efficiently, encourage recycling and take a lifecycle approach to reducing waste;
- minimise water usage and implement opportunities for water efficiency and recycling;
- continually innovate to improve the efficiency of resources used and reduce their impact on the environment and society;
- minimise disturbances and avoid impacts on habitats and ecology, and promote biodiversity; and
- increase resilience to climate risks by undertaking risk assessments, and by designing and adapting activities to respond to potential and actual impacts.

The Group manages its environmental footprint using consistent processes and methods that reflect best practice so as to mitigate environmental risk.

Prevent pollution	
Measures in place	▪ Code of Conduct; Environmental Policy supplemented by Operating Company Policies and systems ▪ 100% of Operating Company management systems certified to ISO 14001
Actions taken during 2017	▪ maintained rigorous approach to environmental management ▪ numerous, project-by-project initiatives tailored to manage risks as appropriate
Performance	▪ solid environmental result with no Level 1 incidents and 10 Level 2 incidents recorded ▪ significant reduction in Level 3 incidents in both Australian and international operations ▪ four fines totalling $38,200 ▪ CPB Contractors' Bruce Highway - Cooroy to Curra project in Queensland awarded the 2017 Australasia Environmental Excellence Award
Use energy efficiently and reduce emissions	
Measures in place	▪ Sustainability Policy; Environmental Policy supplemented by Operating Company Policies and systems
Actions taken during 2017	▪ reported Australian energy use and Scope 1 and Scope 2 emissions to the Clean Energy Regulator as per the Group's NGER obligations ▪ submitted a comprehensive response to CDP's 2017 Climate Change survey ▪ reviewed and drafted response to TCFD ▪ facilitated CIMIC Group 2017 Innovation Awards in three categories including 'energy and environmental protection' ▪ Energy Management System (EnMS) (in accordance with ISO 50001) implemented on selected Hong Kong projects ▪ numerous, project-by-project initiatives tailored to energy efficiency and reducing emissions as appropriate
Performance	▪ received limited assurance from EY for Group's NGER Report ▪ received a 'C' rating from CDP
Reduce waste	
Measures in place	▪ Sustainability Policy; Environmental Policy supplemented by Operating Company Policies and systems
Actions taken during 2017	▪ conducted waste management reviews on all new Hong Kong contracts and waste management plans and implemented on all projects ▪ numerous, project-by-project initiatives tailored to reduce waste as appropriate
Performance	▪ numerous schemes to reduce waste such as the recycling and reuse of 25,000 tonnes of rock and spoil on the Wynyard Walk project in Sydney
Conserve water	
Measures in place	▪ Sustainability Policy; Environmental Policy supplemented by Operating Company Policies and systems
Actions taken during 2017	▪ submitted a comprehensive response to CDP's 2017 Water survey ▪ numerous, project-by-project initiatives tailored to conserve water as appropriate
Performance	▪ received a 'B' rating from CDP

Use materials efficiently and reduce impact	
Measures in place	▪ Sustainability Policy; Environmental Policy supplemented by Operating Company Policies and systems
Actions taken during 2017	▪ supported launch of the 'Rethinking Cement' report ▪ numerous, project-by-project initiatives tailored to use materials efficiently as appropriate
Performance	▪ aggregate water usage reduced with a reduction in water intensity
Protect biodiversity	
Measures in place	▪ Sustainability Policy; Environmental Policy supplemented by Operating Company Policies and systems
Actions taken during 2017	▪ numerous, project-by-project initiatives tailored to protect diversity as appropriate
Performance	▪ reshaped 561ha, top-soiled 428ha and seeded 42ha of mining projects
Build resilience to climate risks	
Measures in place	▪ Sustainability Policy; Environmental Policy supplemented by Operating Company Policies and systems ▪ comprehensive 'Assessing Climate Risk' guidance in place to support development of Climate Resilience Plans on CPB Contractors' construction projects
Actions taken during 2017	▪ drafted response to TCFD ▪ numerous, project-by-project initiatives tailored to build resilience as appropriate
Performance	▪ climate change resilience initiatives integrated into the award of the $2.8bn Sydney Metro project

PREVENT POLLUTION

CIMIC is committed to preventing the incidence, and mitigating the impact, of any pollution to air, water or land. We recognise that, by doing so, we avoid potential operational delays, remediation costs, fines and legal fees, and enhance our relationships with the communities and markets in which we operate. We also understand that by delivering on specifications and standards set by regulators, clients and other stakeholders, we stand to gain the confidence of the markets and communities in which we operate, and avoid potential litigation and increased insurance premiums.

State-of-the-art techniques to protect waterways

On the Transmission Gully project, in New Zealand, CPB Contractors is taking an innovative approach to protecting the unique Pāuatahanui inlet. Home to around 50 species of birds, the inlet is the only large area of salt marsh and seagrass in the Wellington region, and is the largest 'relatively unmodified' estuary in the southern North Island of New Zealand.

Among the most important devices being used to prevent dirty water run-off are sediment-retention ponds. These are much more than simple ponds. They use coagulant and 'treatment socks' to aid filtration of run-off and make it settle quickly, trapping it in the ponds. Water gradually becomes almost completely clean before it exits through a floating decant into gullies and streams.

Transmission Gully motorway is the largest project in the country to use these types of ponds, with more than 40 planned in total, each treating up to five hectares of catchment. The system, which has been developed in New Zealand and proven effective in the Auckland region, is a great example of 'Kiwi ingenuity'.

Sediment-retention ponds and decanting earth bunds, which capture and settle out dirty water, will protect around 95% of the groundwork in the project. The other 5% of run-off will move through devices such as 'catch drains' and 'super silt fences', which use filter fabric reinforced with wire mesh to contain sediment. As much as possible, rainwater is captured in clean water diversions and channelled away from earthworks.

The Group's 2017 environmental performance was positive with no Level 1[66] incidents recorded (zero also recorded in 2016) and 10 Level 2[67] incidents recorded (versus 6 in 2016[68]). The number of Level 2 incidents has declined markedly over recent years.

Environmental incidents	2017
Level 1 (#)	0
Level 2 (#)	10
Level 3 (#)	497
Environmental incident frequency rate (#/MhW)[69]	0.06
Number of breaches (#)[70]	15
Number of violations of legal obligations/regulation resulting in fines	4
Value of fines incurred ($)	38,200

[66] Pollution or degradation which has high severity impacts on the community and/or environment and may have irreversible residual impacts.
[67] Pollution or degradation which has moderate severity impacts on the community and/or environment (1 to 3 months' duration) but is fully reversible with no residual impacts.
[68] From Q3 2016, any incident in CPB Contractors that relates to formal warning or legal breach is classified as a Level 2 incident, pushing up the number of Level 2 incidents for the second half of 2016. This change does not apply retrospectively i.e. result in reclassification of past incidents.
[69] The frequency rate is the total number of Level 1 and Level 2 incidents per million man hours worked.
[70] Resulting in written warnings or infringement notices from environmental regulators.

In CPB Contractors, the eight Level 2 incidents related to issues including: out of hours work; a fuel spill resulting from vandalism; minor discharges of water into nearby waterways; loss of containment or complaints or dust leaving sites; and reports of offensive odours beyond a project's boundaries. All incidents have been managed in line with CPB Contractors' incident management procedures and in consultation with regulators where required.

Eight legal breaches were recorded in CPB Contractors for environmental incidents and two fines totalling $23,000 were incurred. The first of these related to a discharge of iron rich water to the Cooks River from the WestConnex New M5 project in New South Wales in November 2016. The fine of $15,000 was issued in 2017. The second fine of $8,000 related to the generation of offensive odours at the St Peters interchange on the New M5 project.

Cooroy to Curra project wins Environmental Excellence Award
CPB Contractors' Bruce Highway - Cooroy to Curra (C2C) project in Queensland has been awarded the Australasian Chapter of the International Erosion Control Association's (IECA Aust) 2017 IECA Australasia Environmental Excellence Award. The C2C project consists of a 10.5km, 4-lane divided highway on a green-fields alignment just south of Gympie, QLD.

The C2C project involves 1.9 million m3 cut-to-fill, 13 bridges, four major waterway diversions, and is situated within a high rainfall, undulating hinterland area amongst underlying dispersive soils. The judging panel commended the project on getting each step of the erosion sediment control planning and implementation right, resulting in effective outcomes with demonstrated cost efficiencies.

In Leighton Asia, two Level 2 incidents were recorded in 2017 which related to inappropriate tree felling, subsequently mitigated by compensatory tree planting, and a discharge of silt into marine waters during extreme weather (typhoon).

Six legal breaches were recorded in Leighton Asia for instances of potential mosquito breeding on sites. A fine of $200 was imposed by the regulator for one of those incidents, which occurred at a project in Singapore. Legal action for the other incidents is still in process.

UGL recorded one breach for an environmental violation which resulting in a fine of $15,000 which related to a discharge of sediment laden water into a river system in New South Wales outside of licence parameters. The incident was investigated in accordance with UGL's environmental management processes and corrective actions were implemented to prevent a reoccurrence. No residual environmental damage has been incurred.

The number of Level 3 incidents across the Group has continued to fall over time with a reduction from 520 in 2016 to 497 in 2017.

The Group has adopted a comprehensive, systematic and collective approach to hazard and risk management, and by continuously monitoring and improving our performance, we ensure we remain competitive in the markets in which we operate.

USE ENERGY EFFICIENTLY AND REDUCE EMISSIONS

CIMIC is committed to using energy efficiently, reducing energy intensity, utilising renewables when efficient to do so and minimising greenhouse gas emissions.

The Group is a substantial user of energy, particularly driven by Thiess' mining activities which consume large volumes of diesel in the operations of haul trucks, excavators and bulldozers, much of which is supplied directly by clients.

The Group's energy consumption for 2017 was as follows:

Energy consumption	**2017**
Total Gigawatt hours (GWH)	8,790
Of which: Liquid, gas and solid fuel (%)	98.4
Electricity (%)	1.6
Energy spend ($m)	225

The Group is working hard on initiatives such as those outlined above that promote the delivery of energy efficient, environmentally and socially responsible projects.

Reducing power use in a rail maintenance facility
UGL Unipart, a joint venture between UGL and UK-based supply chain logistics company Unipart, provides heavy maintenance and supply chain services to 1,050 passenger cars for Sydney's metropolitan fleet. At UGL Unipart's Auburn maintenance facility in Sydney, a lighting upgrade was undertaken to replace outdated and inefficient lighting which was responsible for approximately two thirds of total electricity consumption.

The upgrade involved replacing more than 3000 inefficient fittings with modern and efficient LEDs. The project reduced the energy used for lighting by more than 2,000MWh or about 60%, and also led to a reduction in annual maintenance costs. For teams working on-site, the new lighting provides enhanced lighting quality and uniformity across the site, boosting productivity and importantly improving worker safety. Greenhouse gas emissions have also been reduced by around 1,700 tonnes per year.

CIMIC understands the need to reduce emissions by boosting energy productivity, reducing waste, rehabilitating degraded land, increasing renewable energy and driving innovation. Our responses to climate change involve the adoption of a number of approaches. However, it is important to note that there are a number of industry relevant challenges inherent to the development of setting relevant strategies, metrics and targets to reduce greenhouse gas emissions, including:

- the diversity of the Group's construction, mining, minerals processing, and operations and maintenance portfolio which complicates the development of meaningful and comparable baselines;
- each project within an activity (particularly construction and operations and maintenance) is bespoke and has different energy usage and emissions profile;
- individual construction projects have finite delivery timeframes and the energy usage and emissions profile can vary significantly depending on different phases of the project; and
- energy usage and emissions profiles of individual projects can vary by geography, especially between Australia and overseas markets.

We aim to reduce emissions by working together with our clients and business partners on each of our bespoke projects. And because they are bespoke, many solutions are unique or tailored for the circumstances of the individual project.

Our Operating Companies use a range of systems to track and report on our energy use and calculate our greenhouse gas emissions. The majority (~92%) of the Group's Scope 1 emissions are generated by the contract mining activities of the Group's Operating Company Thiess.

Scope 1 greenhouse gas emissions (kt.CO2-e)	2017	2016	2015
Total[71]	2,202	1,964	1,913

For CIMIC, absolute measures of emissions are important but not the most relevant measures. Emissions are driven by the demands of our clients but we continue to try and find ways to operate more effectively and efficiently in undertaking the construction to reduce the emissions from each individual project. In 2017, CIMIC's Scope 2 emission grew by 12%, significantly less than revenue which grew by nearly 24%.

Use of LED lighting on a construction project

CPB Contractors' Furlong Main Blackburn Heatherdale Level Crossing Removal project in Melbourne implemented an innovative lighting solution. The team were required to excavate over 200,000m3 to lower the rail line over a 41-day rail occupation period. With work occurring around the clock, in a confined area, good lighting was essential.

Instead of using mobile lighting towers, the team used semi-permanent LED lighting for improved visibility. The lighting solution involved:

- 30 lights installed on a 'daisy chain' at the top of cut, outside the work area;
- a semi-permanent set up allowing work to continue 24/7 without interruption; and
- installing lighting prior to the rail shut down, freeing resources for critical activities.

Using LEDs provided stronger, targeted lighting and avoided light spill in nearby communities. The end result was:

- a saving of 38,745 litres of fuel;
- greenhouse gas emissions reduced by 90%;
- saving in hire costs by avoiding the hire of 30 light towers;
- saving in maintenance costs from refuelling and relocating;
- improved safety and efficiency by reducing the amount of equipment within a narrow work zone corridor; and
- avoiding the need to relocate lights during the rail shut down, improving efficiency.

CIMIC's Scope 2 greenhouse gas emissions are almost entirely derived from the consumption of purchased electricity as the purchase of heat or steam is rarely undertaken in the Group's markets, unlike in many Northern Hemisphere locations. These electricity purchases are primarily used to:

- power some construction equipment, (i.e. tunnel boring machines and cranes);
- provide outdoor lighting on construction, mining, and operations and maintenance projects; and
- illuminate workshops, site sheds and other project related facilities.

Scope 2 greenhouse gas emissions (kt.CO2-e)	2017	2016	2015
Total	128	89	93

[71] UGL's emission not reported for the year's prior to CIMIC's ownership.

CIMIC's Scope 3 greenhouse gas emissions includes other indirect emissions, generated from activities such as:

- the extraction and production of purchased materials such as concrete, asphalt and steel;
- fuel for transport-related activities in vehicles not owned or controlled by the Group;
- electricity-related activities not covered in Scope 2;
- outsourced activities; and
- waste disposal.

Scope 3 greenhouse gas emissions (kt.CO2-e)	2017	2016	2015
Total	1,653	2,666	3,497

Guiding the industry towards zero carbon cement

CPB Contractors and EIC Activities have taken a lead role in launching a report that provides a pathway to zero carbon cement. The Rethinking Cement[72] report, produced by climate solutions think tank Beyond Zero Emissions (BZE), sets out a pathway for modernising cement, eliminating carbon emissions, and building strong and durable infrastructure.

BZE is a nationally recognised and respected independent, not-for-profit climate change think-tank providing peer reviewed research, detailed costings and guidance enabling Australian industries to transition to a low carbon economy. Rethinking Cement focuses on cement production, the single biggest industrial producer of emissions. Cement production causes 8% of global carbon emissions – more than the global car fleet.

About 55% per cent of cement emissions come from the chemical process of limestone calcination, which releases carbon dioxide as a waste product, and is unavoidable if limestone-based cement continues to be used. Some 32% comes from burning fuel to drive the chemical process, and the remaining 13% comes from the indirect emissions created in the generation of the electricity which is used for grinding and moving materials around a cement plant.

BZE's research proposes that Australia can enjoy a zero carbon cement industry in 10 years using already commercialised technologies, such as geopolymer cements, high-blend cements and mineral carbonation. A key strategy is to replace 50% of existing cements with geopolymers as their manufacture produces fewer emissions – potentially zero. Geopolymer cement can be produced from fly ash (a by-product of coal-fired power stations) and ground granulated blast furnace slag (a steel production waste product), with the report suggesting that Australia had 400 million tonnes of fly ash stockpiled from over a century of coal-burning. Just a quarter of these stockpiles of fly ash could supply an estimated 20 years or more of domestic cement production.

Geopolymer are already cost-competitive and, in many cases, outperform traditional concrete in terms of:

- flexural strength - geopolymers have greater ability to be bent without cracking;
- resistance to chlorides, acids and salts, making them a better option for uses such as sewer pipes and marine environments;
- fire-resistance, which suits applications such as road and rail tunnels; and
- shrinkage – geopolymers shrink less as they dry which can reduce unsightly cracking.

In Australia, a number of suppliers are currently offering geopolymer cements and they have been used on projects including retaining walls, precast footpaths, airport taxi-ways, precast panels for buildings, sewer pipes, kerb-sides, pavements and railway sleepers.

CIMIC is proud to support BEZ's launch of the Rethinking Cement report which, we hope, will stimulate government and industry to shift to a zero carbon cement industry.

CIMIC is registered to report under the NGER Scheme. Energy use and emissions data is collected for all Company projects and sites irrespective of the operational control status. The Group has comprehensive measures in place to manage its NGER Scheme obligations including:

- having established legal review processes to identify operational control[73] status at the tender and contract stages;
- utilising Group-wide accounting systems to manage all data; and
- having the Group's data and processes subjected to annual external assurance audits.

[72] Zero Carbon Industry Plan - Rethinking Cement, Beyond Zero Emissions, Aug 2017.

[73] 'Operational control' is the concept used when determining the corporate group which has NGER obligations for the facility and therefore avoids the double counting of emissions reporting by a client and the contractor.

The Group has reported the following emissions and energy usage NGER Scheme data based on its Australian operations and those facilities where the Group has operational control:

Greenhouse gas emissions and energy consumption[74]	**Total Scope One emissions (t CO2-e)**	**Total Scope Two emissions (t CO2-e)**	**Total Net energy consumed (GJ)**
2016/17[75]	68,295	53,534	1,233,835
2015/16[76]	50,639	32,910	884,558
2014/15	77,412	72,142	1,434,467
2013/14	153,239	92,522	2,604,328
2012/13	206,245	128,495	2,660,483
2011/12	730,542	132,516	6,918,762
2010/11	775,441	187,887	8,435,737
2009/10	684,758	243,487	7,811,131
2008/09	478,444	114,785	5,278,962

CIMIC's reported emissions and energy usage increased in 2016/17 versus the prior year, largely as a consequence of the acquisition of UGL for which CIMIC took on the reporting obligation. UGL contributed 52% of the increase in Scope 1 emissions, 82% of the increase in Scope 2 emissions and 64% of the increase in net energy consumed. The balance of the increase was largely due to increased activity levels in CPB Contractors from a number of very large infrastructure projects.

EY (formerly Ernst & Young) provided a limited assurance audit in 2017 and signed off on the preparation of CIMIC's Energy and Emissions Report.

REDUCE WASTE

CIMIC is committed to using resources efficiently, encouraging recycling and taking a lifecycle approach to reducing waste. This often means reducing waste through smarter design and procurement.

Recycling rock and spoil from the Wynyard Walk project

CPB Contractors has successfully completed a $150 million pedestrian link, between Wynyard Station in Sydney's CBD to the waterfront development at Barangaroo, for Transport for NSW (TfNSW). It allows people to travel from the station to Barangaroo in approximately six minutes, avoiding steep inclines and eliminating dangerous road crossings for pedestrians. The link is expected to accommodate up to 23,000 office workers and attract up to 33,000 visitors per day.

The project included demolition of two high rise commercial towers, underpinning of several existing towers, tunnelling a new 180 metre-long nine metre-wide walkway, and construction of a multi-storey portal, a paved pedestrian plaza and a pedestrian bridge over Sussex Street. Around 25,000 tonnes of rock and spoil was removed during construction and 100% of the excavated sandstone was recycled and used at the new Barangaroo Reserve.

In 2017, CIMIC's Operating Companies generated a total of 8,227,843 tonnes of waste, of which ~68% was diverted for recycling, ~19% was reused and ~9% was disposed of in landfill. The significant waste generated in 2017 relates to significant increase in tunnelling works which generate spoil[77] that needs to be disposed of. Much of the spoil generated from Sydney's WestConnex project is transported to infrastructure and construction projects within the Illawarra region of New South Wales.

Waste generation (tonnes)	**2017**
Disposed - landfill	726,887
Diverted - reuse	1,526,012
Diverted - recycling	5,569,579
Diverted - other	405,365
Total	**8,227,842**

Smart cross-project furniture recycling at WestConnex

One of CPB Contractors' joint venture construction teams on the new M4 East phase of Sydney's WestConnex project was able to achieve a positive environmental outcome and improved financial result when outfitting their new site office.

The team needed to procure furniture which was estimated to cost between A$25,000 and A$35,000. It was suggested that the team work with a demolition contractor hired to dispose of furniture from offices earmarked for demolition on the Sydney Metro project. As a result, CPB Contractors was able to recycle, at a reduced cost, quality furniture while the demolition contractor saved on disposal costs.

[74] National Greenhouse and Energy Reporting figures are for where the Group has 'Operational control' for the facility as per the NGER definition and are for Australian operations only.
[75] Reported to NGER, expected to be published by the Clean Energy Regulator at the end of Feb 2018.
[76] 2015/16 NGER Scope 1 emissions and Net energy consumed was amended from the information reported to the Clean Energy Regulator (and in the 2016 Annual Report) due to additional fuel use being reported by a subcontractor.
[77] Waste material brought up during the course of an excavation or a dredging or mining operation.

During the year, the Group generated 109.8 thousand tonnes of hazardous waste. More than 90% of this was generated from construction projects in Australia which largely relates to spoil removed from sites where land has previously been contaminated. Approximately half of this waste generated related to a major defence facility project in Queensland and the balance from projects across the country. As part of wide ranging and extensive earthworks undertaken to deliver projects, spoil with the potential for contamination, i.e. from asbestos or PFOS[78], is dealt with using specific processes and controls, and in line with all regulatory guidelines and requirements, and industry best practice.

The Group's other Operating Companies generated relatively small amounts of waste which included: oily water from workshop facilities, and oils and grease from construction sites; used lubricating oils and contaminated soil from the clean-up of small spills; and sewerage, batteries and grease. Hazardous waste streams are diverted for reuse/recycling where possible and, if this is not possible, disposed as per regulatory requirements.

The Group is not aware of generated, transported, imported, exported or having treated any other hazardous waste and has not shipped any hazardous waste internationally.

CONSERVE WATER

CIMIC is committed to minimising water usage and implementing opportunities for water efficiency and recycling. Construction, mining and services projects can be substantial users of water for dust suppression, operation of minerals processing plants (i.e. coal handling preparation plants) and equipment washing. Opportunities to reduce water use and increase recycling are positive for the environment but also help save cost.

Innovative approach to dust suppression reduces water usage

CPB Contractors' Furlong Main Blackburn Heatherdale Level Crossing Removal project has implemented an innovative solution for dust suppression (see also 'Use of LED lighting on a construction project' on page 144). The team employed 80 temporary dust sprinklers for dust suppression, instead of relying solely on water carts typically used in the construction industry. The system at Blackburn was connected to rainwater tanks which led to the use of approximately 200,000 litres of recycled water instead of potable water.

Other benefits of the temporary sprinkler system included:

- avoiding the need to hire and operate three water tankers, saving tens of thousands of dollars;
- reducing fuel use, saving 3,690 litres, and the inherent carbon emissions;
- using biodiesel in generators, reducing greenhouse gas emissions by 90%;
- achieving more effective dust suppression with a fine mist spray distributed from the top of the cut, versus a truck dropping water from a spreader bar, which was vital for the health and safety of the construction team and the nearby community; and
- reducing mobile plant in the work area as sprinklers were placed clear of construction, improving the safety of workers.

The project was awarded first place and received prize money of $5,000 in the CIMIC Group 2017 innovation awards - Energy and Environmental Protection. The project team chose to donate $1,000 of the prize money to Nadrasca, a community organisation that was affected during construction. Nadrasca provides services for people with disabilities. The team also donated $1,000 to MS Nerve Centre, another organisation impacted during construction. The MS Nerve Centre provides support for people living with multiple sclerosis. The remaining prize money was used for an event, where the project team and senior CPB Contractors representatives discussed the innovation and workshopped its application to other projects.

Each project undertaken by the Group develops a water management plan to effectively manage water according to the unique conditions of that project. These water management plans are integrated with, and form a subset of, broader environmental management plans.

The water management plans address; the environmental values of the surrounding environment, potential water sources, and the regulatory commitments and landholder obligations that a particular project must meet. The plans systematically address all risks associated with water management on the project and identifies controls that the project will put in place to manage environmental values and associated risks. They also focus on identifying options for minimising potable water use and maximising recycling and water reuse. These options are critical on projects where water is scarce.

Water conservation program at Balikpapan Support Facility

To meet operational requirements at Thiess' Balikpapan Support Facility, the team tackled the challenge of achieving more environmentally-friendly, cost-effective clean water sources. They developed a regional-first water conservation program comprising rainwater collection and the upgrading of the facility's Wastewater Treatment Plant (WWTP).

On average, 5KL/day of water can now be reused from the WWTP and 40KL/day of water can be collected from the rainwater tank, delivering a total additional intake of 45KL/day of fresh water. Groundwater consumption has reduced from 30KL per day to 10KL per day. Water handling and sourcing fresh water costs have been reduced by 81% without any additional use of potable water.

[78] Perfluorooctane sulfonate – a chemical historically used in a range of industrial applications including firefighting foams.

During 2017, the Group's contracting activities withdrew used 11.6 million kilolitres of water and discharged almost 0.5 million kilolitres.

Water use (ML)	**Group**
Withdrawals	7,414
Re-use	4,052
Discharge	(476)

Sedgman, when operating minerals processing plants on behalf of their clients, is generally required to comply with their client's water management plans.

Of total water demand, 35% (~4.0 million kilolitres) was met through recycling or reusing water. Of the water that was withdrawn, it was sourced as follows:

Source of water withdrawals (%)	**Group**
Mains	7
Groundwater	20
Rainwater collected	3
Waste water	28
Surface water	41

The discharges of water went to the following areas:

Discharges of water (%)	**Group**
Wastewater	21
Surface water	55
Marine water	23

USE MATERIALS EFFICIENTLY AND REDUCE IMPACT

CIMIC is committed to continually innovating to improve the efficiency of resources used and reducing their impact on the environment and society. Improving the efficiency of the resources we use helps to lower our costs and improve our value proposition.

In 2017, the Group's Construction and Services Operating Companies spent some $883 million on 3.99 million tonnes of materials.

Material use (kilotonnes) and spend ($m)	**2017**	**2016**
Quantity	3,990	4,842
Spend	883	926

The quantities of construction materials purchased and the spend on those materials is split as follows:

Quantities (%)	**2017**	**2016**
Concrete	86	86
Steel	9	13
Asphalt	5	1
Timber	<1	<1

Spend (%)	**2017**	**2016**
Concrete	49	62
Steel	38	32
Asphalt	12	6
Timber	<1	<1

Mitchell Freeway Extension trials sustainable materials

CPB Contractors has successfully delivered a new 6km section of the Mitchell Freeway, north of Perth in Western Australia which incorporates a number of sustainability features and materials, some of which had never before been incorporated in a Western Australian freeway road project, including:

- non-recyclable glass fines were trialled in the road base layer, providing a use for glass that is unsuitable for re-manufacture, and therefore, an alternative to land-fill. The use of glass fines and other recycled materials in road building helps to reduce environmental impact by reducing landfill and energy from the production of pavement materials. Glass fines are created during the glass recycling process; and
- the use of energy efficient LED lighting for the roads network and pedestrian and cyclist shared path.

The Mitchell Freeway Extension project also featured: revegetation using a mix of native species common to the local area, such as Banksias, Grevilleas and Melaleucas, which included more than 200kg of native seed and approximately 320,000 native plants.

It is hoped that the trial of glass fines will encourage greater use of recycled materials in standard construction practices across the industry.

Of the Group's total expenses in 2017: subcontractors were 32%; personnel costs were 29%; materials were 20%; plant costs, including depreciation and lease payments were 14%; and other expenses were 6%.

PROTECT BIODIVERSITY

CIMIC is committed to minimising disturbances and avoiding impacts on habitats and ecology, and promoting biodiversity.

During the design and planning phases of our diverse infrastructure, resources and property projects, we work to avoid environmental impacts to sensitive locations. Where this is not possible, we deploy strategies to minimise disturbance while efficiently, effectively and safely completing work. A range of measures to manage and mitigate potential impacts are implemented in areas with sensitive ecological communities. The Group's approach includes the development of biodiversity management plans that consider local contexts, baseline surveys, monitoring results and specialist advice.

A feat of environmental engineering on Transmission Gully

Innovative work is happening at the northern end of the Transmission Gully project, north of Wellington in New Zealand, to shift sections of the Te Puka Stream sideways and up to 20 metres above its current position to allow for the new motorway route. CPB Contractors, in joint venture, is progressively diverting water through a pipe system along the valley floor. Once diverted, the ground is then excavated and the area filled more than 45 metres high to the final level of the new motorway.

After the new streambed is constructed, it can follow a natural course, with its banks densely planted in native shrubs and trees, and the new stream restocked with native fish. The fish were relocated from Te Puka Stream prior to construction starting, in one of the largest fish relocation exercises in the country. With this restocking and revegetation, rather than being subject to farming and burn-offs as in past decades, it is expected that valleys such as Te Puka will eventually be richer in wildlife than before the project started.

The rehabilitation of disturbed areas remains an integral element of dealing with biodiversity on our construction, mining projects and services. This typically involves progressively reshaping disturbed areas, establishing erosion control structures, and topsoiling and seeding. Rehabilitation aims to ensure that areas are safe, stable and suitable for agreed land uses, such as agriculture, grazing or natural habitats.

Rehabilitation of mining area (ha)	Reshaped	Top-soiled	Seeded
Australia/Pacific	192.1	69.7	42.0
Asia	369.3	358.5	0
Total	**561.4**	**428.2**	**42.0**

BUILD RESILIENCE TO CLIMATE RISKS

It is widely recognised that warming of the planet, caused by greenhouse gas emissions, poses serious risks to the global economy and will have an impact across many economic sectors. CIMIC is committed to increasing resilience to climate risks by undertaking risk assessments, and by designing and adapting activities to respond to potential and actual impacts.

CIMIC has reviewed the recommendations of the TCFD CIMIC intends to publish a fuller response to the recommended disclosures of the TCFD during 2018 on its website. In the meantime, the TCFD framework provides a useful structure to help investors and others understand how CIMIC assesses climate-related risks and opportunities.

Some of the important climate-related points to highlight that were identified in CIMIC's TCFD review include that:

- CIMIC has a robust governance and management system in place to oversee climate-related risks and opportunities;
- CIMIC is a service provider and not generally the long term owner of infrastructure, property or resources assets, other than where CIMIC's project finance arm – Pacific Partnerships – invests in infrastructure projects, and therefore has only a limited exposure to the risks of climate change over the longer term;
- the relatively short term duration of the contracting services CIMIC provides means that the risks, and associated costs, can reasonably be identified and factored into tenders, thereby reducing their financial impact;
- climate risk assessments are regularly undertaken with, or on behalf of, clients however the Group's exposure to the long-term performance of client's asset is largely limited to what clients are prepare to consider in their life-cycle assessments and to pay for;
- increasing levels of acute and chronic risks are likely to lead to a range of construction opportunities (and increased revenues) from remediation work and investments to create greater resilience to the potential effects of climate change;
- while the contract mining of thermal coal[79] is unlikely to see growth in the mid-to-longer term, it will remain a relatively stable market for the foreseeable future;
- contract mining activities will be supplemented by opportunities to provide these services for other resources such as lithium for use in alternative technologies such as batteries; and
- the bespoke, short-term nature of the Group's diverse portfolio of construction projects creates challenges in developing meaningful carbon reduction metrics and targets, both at an aggregate level but also on an intensity basis.

The conclusion that can be drawn from the initial TCFD review is that CIMIC, while exposed to the impacts of climate change, like all businesses, has significant resilience due to the nature of the contracting services it provides. Some of the recognised risks will likely impact the Group, but these can be readily identified and priced, limiting their financial impact, while a range of opportunities should develop across the business that may generate additional sources of revenue in the future.

Sydney Metro includes climate change resilience initiatives

On Stage 2 of the A$2.81 billion Sydney Metro project, CPB Contractors, with its joint venture partners, is working with its client, Transport for NSW (TfNSW) to integrate climate change risk assessment during construction[80]. At this stage, short-term climate change risks identified during the construction phase of the project relate to increased intensity and frequency of extreme rainfall events and increased temperatures, including:

- increases in the number of days where personnel are unable to work due to stop work thresholds resulting in delays in program and lost days;
- an inundation of any excavations during construction;
- flooding roads, congestion, and increased risk of road incidents during construction, affecting workers and/or equipment accessing sites resulting in delays in program and lost days;
- increases in the number of precautionary shut down periods during extreme storm events;
- increases in damage and delays to equipment;
- an increasing load on temporary water treatment devices, and erosion control devices, increasing flooding events and affecting water quality treatment levels achieved; and
- increases in dust issues.

Sydney Metro is expected to include contractual requirements for contractors (i.e. CPB Contractors, with its joint venture partners) to identify climate change risks and implement climate change initiatives to ensure detailed design and construction activities are resilient to climate change, based on the latest climate change projections.

OUTLOOK AND FUTURE PLANS

We are committed to, wherever possible, preventing or otherwise mitigating and remediating any harmful effects from our operations. In 2017, we plan to:

- continue to focus on initiatives to report on and reduce greenhouse gas emissions;
- publish a full response to the recommended disclosures of the TCFD on our website;
- continue to participate in DJSI and CDP (formerly the Carbon Disclosure Project) surveys as a means of demonstrating the Group's sustainability performance to a broad range of stakeholders;
- further develop and improve support tools and processes to integrate sustainability on infrastructure projects; and
- participate again in the CIMIC HOCHTIEF Innovation Awards, using these identify and communicate worthwhile initiatives.

[79] Thermal coal (or steaming coal) is burned for steam to run turbines to generate electricity either to public electricity grids or directly by industry consuming electrical power (such as chemical industries, paper manufacturers, cement industry and brickworks). Metallurgical coal (or coking coal) is used in the process of creating coke necessary for iron and steel-making.

[80] Sydney Metro | city & southwest, Sustainability Strategy 2017-24, July 2017.

OUR AWARDS

SUSTAINABILITY

CIMIC

- DJSI again recognised CIMIC with inclusion in the DJSI Australia Index, the only construction and engineering company to be included. CIMIC was identified as the construction and engineering sector global leader in four categories; 1. Risk & Crisis Management, 2. Building Materials, 3. Environmental Policy and Management System, 3. Resource Conservation and Resource Efficiency, and 4. Labor Practice Indicators.
- CDP acknowledged CIMIC again with a 'C' rating for its 'Climate Change' submission which indicates that CIMIC has "Knowledge of impacts on, and of, climate change issues"[81].
- CDP again recognised CIMIC with a 'B' rating for its 'Water' submission which indicates that CIMIC has provided "evidence of actions associated with good environmental management"[82].
- FTSE Russell again commended CIMIC's sustainability by including the company in the FTSE4Good Index Series following an independent assessment according to FTSE4Good criteria. The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong ESG practices.
- CIMIC received a SEAL[83] Organisational Impact Award which recognises overall corporate sustainability performance.

SAFETY

CPB Contractors

- Civil Contractors Federation of South Australia inaugural Healthy Workers Healthy Futures Award for 2017 to Torrens Road to River Torrens project (T2T Alliance).

Leighton Asia

- Hong Kong Development Bureau's Gold Award for Temporary Works Excellence on the Hong Kong Boundary Crossing Facilities' Passenger Clearance Building.
- Hong Kong government's Labour Relations Bronze Award to the Tseung Kwan O – Lam Tin Tunnel – Main Tunnel and Associated Works project.
- Royal Society for Prevention of Accidents (RoSPA) Health and Safety Silver Award for the Springleaf Station and Tunnels project in Singapore.
- Singapore's Workplace Health and Safety Council's Sharp Award to the Springleaf Station and Tunnels project.
- Singapore government's Land Transport Authority Accident Free Million Man-hours Award to the Springleaf Station and Tunnels project.
- The Safety Organisation of the Philippines' Award of Distinction to the North Luzon Expressway (NLEX) Harbor Link project.
- Institute of Quality & Environment Management Services (IQEMS) Kalinga Safety Gold Award to the Esplanade project in India.

Thiess

- Indonesian Ministry of Minerals & Energy Aditama Award (highest level) to Sangatta mine in the Contractor category of the Mines Department Safety Awards.
- Indonesian Ministry of Minerals & Energy Utama Award (second highest level) to MSJ mine in the Contractor category of the Mines Department Safety Awards.
- Indonesian Ministry of Manpower HIV & Aids Prevention Award to the Sangatta mine in recognition of education efforts in the prevention of HIV & Aids.

CULTURE

CIMIC

- LinkedIn ranked CIMIC Group as number 7 on its 'Top Companies 2017: Where Australia wants to work now' list.

CPB Contractors

- CareerTrackers 'Most Valuable Partner' award for outstanding commitment, participation and leadership.
- Australian Institute of Building (AIB) Australian Building Professional of the Year awarded to Stephen Jenkins, Project Manager for the Permanent Facilities Compound (PFC) in Port Moresby.
- AIB national and state Professional Excellence award in the Research, Development and Technology category presented to Engineering Manager Andrew Richmond.
- AIB Professional Excellence Award – Commercial Construction (Interior Construction) presented to Cyril Cahill, Broad Construction Manager for the Supreme Courts Project in Western Australia.

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[81] CDP's 2017' Climate Change Basic Performance Review Report', October 2017.
[82] CDP's '2017 Company response status and score' and CDP's 'Scoring introduction 2016'.
[83] The SEAL (Sustainability, Environmental Achievement & Leadership) Awards launched in 2017 and is an awards-driven environmental advocacy organization.

- AIB High Recommendation Award – Commercial Construction $25 million to $100 million presented to Craig MacNair, Broad Project Manager for the Broadway on the Mall Project in Queensland.
- National Association of Women in Construction (NAWIC) Scholarship for Future Leaders Award presented to Ali Blanch, HR and IR Manager on the WestConnex M4 East project in New South Wales.
- NAWIC Merit award in the Project Manager category presented to Kirsten Evans, Project Manager on the Sydney Metro Northwest project in New South Wales.
- NAWIC award for outstanding achievement by a student presented to Marielle Salom, an engineering student with the Victorian, South Australian & Tasmanian business unit.

Leighton Asia

- LinkedIn Silver Award as the 'Most Engaging Employer Brand' in Hong Kong.

INNOVATION

CPB Contractors

- Master Builders Association of Victoria's Excellence in Construction Awards (MBAVECA) for Excellence in Construction of Industrial Buildings presented to Post Entry Quarantine Facility Project in Victoria.
- MBAVECA Best Sustainable Project awarded to the Melbourne International Ro-Ro Automotive Terminal (MIRRAT) in Victoria.
- Association of Consulting Structural Engineers NSW 2016 excellence in Engineering Awards in the category of Award for Large Building Projects presented to Wynyard Walk project in New South Wales.
- Finalist in the National Infrastructure Awards (NIA) in the category of Smart Infrastructure Project to the Groundwater Replenishment Scheme Stage 1 in Western Australia.
- Finalist in the National Infrastructure Awards (NIA) in the category of Contractor Excellence to the Wynyard Walk project in New South Wales.
- Finalist in the NIA in the category of Government Partnership Excellence to the Gateway WA Perth Airport and Freight Access Project.
- Finalist in the 2018 Australian Construction Achievement Award (ACAA) to the Northern Beaches Hospital at Frenchs Forest in New South Wales.
- Finalist in the 2018 ACAA to the Post Entry Quarantine Facility at Mickleham in Victoria.
- Finalist in the 2018 Australian Construction Achievement Award (ACAA) to the Northern Beaches Hospital in New South Wales.
- Finalist in the 2017 international New Civil Engineer Tunnelling Awards (NCETA) in the category of Contractor Innovation of the Year to the walking scrubber concept on the WestConnex M4 East in New South Wales.
- Finalist in the 2017 NCETA in the category of Designer Innovation of the Year for the use of BIM on the WestConnex M4 East in New South Wales.

Leighton Asia

- British Construction Industry 2017 International Project of the Year Award to the Mass Transit Railway (MTR) South Island Line (East) in Hong Kong.

UGL

- AusRAIL PLUS 2017 Young Rail Professionals Pitching Competition winner was Jamie Ross-Smith, Head of Asset Systems.

ENVIRONMENT

CPB Contractors

- Australasian Chapter of the International Erosion Control Association (IECA) awarded the 2017 IECA Australasia Environmental Excellence Award to the Cooroy to Curra (C2C) project in Queensland.

Leighton Asia

- Hong Kong Construction Association Environmental Merit Award for outstanding performance for the 2016 year.
- Hong Kong Awards for Environmental Excellence – Certificate of Merit received by the Central–Wan Chai Bypass – Tunnel Buildings, Systems and Fittings, and works associated with Tunnel Commissioning.

Thiess

- Indonesian Ministry of Environment & Forestry Blue PROPER Award recognising environmental performance.

GRI INDEX

Legend

● Covered in full ◕ Covered for the most part ◑ Covered in part ○ Not covered Code = Covered in the Code of Conduct

GRI standard	Topic specific disclosures	Annual Report section, Page number/s and or URL	Application level / omission
	General Disclosures		
	Organisational profile		
102-1	Name of the organization	Cover	●
102-2	Activities, brands, products, and services	Operating and Financial Review, www.cimic.com.au	●
102-3	Location of headquarters	www.cimic.com.au	●
102-4	Location of operations	www.cimic.com.au	●
102-5	Ownership and legal form	Financial Report, www.cimic.com.au	●
102-6	Markets served	Operating and Financial Review, www.cimic.com.au	●
102-7	Scale of the organization	Operating and Financial Review	●
102-8	Information on employees and other workers	86, 109, 112, 114, 114, 116, 117 ,	●
102-9	Supply chain	103 - 104	◕
102-10	Significant changes to the organization and its supply chain	Operating and Financial Review, 103 - 104	●
102-11	Precautionary Principle or approach		
102-12	External initiatives	81, Group Policies[84]	●
102-13	Membership of associations	131	●
	Strategy		
102-14	Statement from senior decision-maker	Executive Chairman's review, CEO's review	●
102-15	Key impacts, risks, and opportunities	Operating and Financial Review	●
	Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	80, Group Policies, Code[85]	●
102-17	Mechanisms for advice and concerns about ethics	99, 100, Code, Ethics-line[86]	●
	Governance		
102-18	Governance structure	2017 Governance Statement,[87] Corporate Governance[88]	●
102-19	Delegating authority	Corporate Governance	●
102-20	Executive-level responsibility for economic, environmental, and social topics	2015 Sustainability Report, Corporate Governance	
102-21	Consulting stakeholders on economic, environmental, and social topics	83	
102-22	Composition of the highest governance body and its committees	Directors' Report, 2017 Governance Statement	●
102-23	Chair of the highest governance body	Directors' Report, 2017 Governance Statement, www.cimic.com.au	●
102-24	Nominating and selecting the highest governance body	2017 Governance Statement,	●
102-25	Conflicts of interest	Directors' Report, 2017 Governance Statement, www.cimic.com.au	●
102-26	Role of highest governance body in setting purpose, values, and strategy	2017 Governance Statement, Board & committee charters[89]	●
102-27	Collective knowledge of highest governance body	2017 Governance Statement	●
102-28	Evaluating the highest governance body's performance	2017 Governance Statement	●
102-29	Identifying and managing economic, environmental, and social impacts	2017 Governance Statement, Board & committee charters	●
102-30	Effectiveness of risk management processes	2017 Governance Statement, Board & committee charters	●
102-31	Review of economic, environmental, and social topics	86 - 151, 2017 Governance Statement, Board & committee charters	●
102-32	Highest governance body's role in sustainability reporting	133, 2017 Governance Statement, Board & committee charters	●
102-33	Communicating critical concerns	100, 133, 2017 Governance Statement, Board & committee charters	●
102-34	Nature and total number of critical concerns	100, 2017 Governance Statement, Board & committee charters	●
102-35	Remuneration policies	Remuneration Report	●
102-36	Process for determining remuneration	Remuneration Report	

[84] The CIMIC Group Policies can be accessed at: http://www.cimic.com.au/our-approach/corporate-governance/group-policies.
[85] The CIMIC Group Code of Conduct can be accessed at: http://www.cimic.com.au/our-approach/corporate-governance/group-policies.
[86] The CIMIC Group Ethics Line can be accessed at: http://www.cimic.com.au/ethics-line.
[87] The 2017 Corporate Governance Statements can be accessed at: http://www.cimic.com.au/our-approach/corporate-governance.
[88] The Group's approach to Corporate Governance can be accessed at: http://www.cimic.com.au/our-approach/corporate-governance.
[89] The Board and Committee Charters can be accessed at: http://www.cimic.com.au/our-approach/corporate-governance.

GRI standard	Topic specific disclosures	Annual Report section, Page number/s and or URL	Application level / omission
102-37	Stakeholders' involvement in remuneration	Remuneration Report, 2017 AGM Results[90]	●
102-38	Annual total compensation ratio	Not disclosed	
102-39	Percentage increase in annual total compensation ratio	Not disclosed	
	Stakeholder engagement		
102-40	List of stakeholder groups	83	●
102-41	Collective bargaining agreements	110	
102-42	Identifying and selecting stakeholders	83	●
102-43	Approach to stakeholder engagement	83	
102-44	Key topics and concerns raised	83	●
	Reporting practice		
102-45	Entities included in the consolidated financial statements	80, Financial Report	●
102-46	Defining report content and topic Boundaries	83	●
102-47	List of material topics	83	●
102-48	Restatements of information	80, see also footnotes on pages 86 and 87, Operating and Financial Review, Financial Report	●
102-49	Changes in reporting	80, Operating and Financial Review, Financial Report	●
102-50	Reporting period	80, Operating and Financial Review, Financial Report	●
102-51	Date of most recent report	Operating and Financial Review, Financial Report	●
102-52	Reporting cycle	80, Operating and Financial Review, Financial Report	●
102-53	Contact point for questions regarding the report	Justin Grogan, EGM Sustainability, CIMIC Group Limited	●
102-54	Claims of reporting in accordance with the GRI Standards	80	●
102-55	GRI content index	153 - 156	●
102-56	External assurance	Not externally assured	○
	Economic Topic-specific Disclosures		
	Economic performance		
201-1	Direct economic value generated and distributed	124	●
201-2	Financial implications and other risks and opportunities due to climate change	135, 149, 2015 Sustainability Report	◑
201-3	Defined benefit plan obligations and other retirement plans	118	●
201-4	Financial assistance received from government	102	●
	Market Presence		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Not disclosed	
202-2	Proportion of senior management hired from the local community	117	◑
	Indirect Economic Impacts		
203-1	Infrastructure investments and services supported	124	●
203-2	Significant indirect economic impacts	124	●
	Procurement Practices		
204-1	Proportion of spending on local suppliers	Not disclosed	◕
	Anti-corruption		
205-1	Operations assessed for risks related to corruption	99, 100	●
205-2	Communication and training about anti-corruption policies and procedures	98, 101	●
205-3	Confirmed incidents of corruption and actions taken	100	●
	Anti-competitive Behaviour		
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	102	●
	Environmental Topic-specific Disclosures		
	Materials		
301-1	Materials used by weight or volume	87, 148	●
301-2	Recycled input materials used	87, 146, 148	●
301-3	Reclaimed products and their packaging materials	87, 146, 148	●
	Energy		
302-1	Energy consumption within the organization	87, 143	●
302-2	Energy consumption outside of the organization	87, 143	●
302-3	Energy intensity	87, 143	◕

[90] The 2017 AGM results can be accessed at: http://www.cimic.com.au/investor-and-media-centre/financial-results-and-meetings/agm.

GRI standard	Topic specific disclosures	Annual Report section, Page number/s and or URL	Application level / omission
302-4	Reduction of energy consumption	87, 143	◕
302-5	Reductions in energy requirements of products and services	87, 143	◕
	Water		
303-1	Water withdrawal by source	87, 147	●
303-2	Water sources significantly affected by withdrawal of water	87, 147	●
303-3	Water recycled and reused	87, 147	●
	Biodiversity		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	149	◕
304-2	Significant impacts of activities, products, and services on biodiversity	149	◕
304-3	Habitats protected or restored	149	●
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Not disclosed	○
	Emissions		
305-1	Direct (Scope 1) GHG emissions	87, 143	●
305-2	Energy indirect (Scope 2) GHG emissions	87, 143	●
305-3	Other indirect (Scope 3) GHG emissions	87, 143	●
305-4	GHG emissions intensity	87, 143	●
305-5	Reduction of GHG emissions	87, 143	◕
305-6	Emissions of ozone-depleting substances (ODS)	87, 143	◕
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Not disclosed	○
	Effluents and Waste		
306-1	Water discharge by quality and destination	87, 147	●
306-2	Waste by type and disposal method	146	●
306-3	Significant spills	87, 142	●
306-4	Transport of hazardous waste	146	●
306-5	Water bodies affected by water discharges and/or runoff	142	●
	Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	142, Directors' Report	●
	Supplier Environmental Assessment		●
308-1	New suppliers that were screened using environmental criteria	103 - 104	●
308-2	Negative environmental impacts in the supply chain and actions taken	103 - 104	●
	Social Topic-specific Disclosures		
	Employment		
401-1	New employee hires and employee turnover	86, 114	●
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Not disclosed	○
401-3	Parental leave	114	●
	Labor/Management Relations		
402-1	Minimum notice periods regarding operational changes	As per statutory obligations	
	Occupational Health and Safety		
403-1	Workers representation in formal joint management–worker health and safety committees	Not disclosed	○
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	86, 88, 89, 91, 94	●
403-3	Workers with high incidence or high risk of diseases related to their occupation	91, 93, 94	●
403-4	Health and safety topics covered in formal agreements with trade unions	As per statutory obligations	
	Training and Education		
404-1	Average hours of training per year per employee	111	●
404-2	Programs for upgrading employee skills and transition assistance programs	111, 112, 114	●
404-3	Percentage of employees receiving regular performance and career development reviews	118	●

GRI standard	Topic specific disclosures	Annual Report section, Page number/s and or URL	Application level / omission
	Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	86, 114, 116, 117, Directors' Report, 2017 Governance Statement	●
405-2	Ratio of basic salary and remuneration of women to men	Not disclosed	○
	Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken	Not disclosed	○
	Freedom of Association and Collective Bargaining		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	99	◑
	Child Labor		
408-1	Operations and suppliers at significant risk for incidents of child labor	99	●
	Forced or Compulsory Labor		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	99	●
	Security Practices		
410-1	Security personnel trained in human rights policies or procedures	Not disclosed	○
	Rights of Indigenous Peoples		
411-1	Incidents of violations involving rights of indigenous peoples	106	●
	Human Rights Assessment		
412-1	Operations that have been subject to human rights reviews or impact assessments	110	●
412-2	Employee training on human rights policies or procedures	Not disclosed	○
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Not disclosed	○
	Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	104	●
413-2	Operations with significant actual and potential negative impacts on local communities	104, 105	●
	Supplier Social Assessment		
414-1	New suppliers that were screened using social criteria	103 - 104	●
414-2	Negative social impacts in the supply chain and actions taken	103 - 104	●
	Public Policy		
415-1	Political contributions	100	●
	Customer Health and Safety		
416-1	Assessment of the health and safety impacts of product and service categories	96, 105	●
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	96	●
	Marketing and Labelling		
417-1	Requirements for product and service information and labelling	96	●
417-2	Incidents of non-compliance concerning product and service information and labelling	101, 102	●
417-3	Incidents of non-compliance concerning marketing communications	102	●
	Customer Privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	101	●
	Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	91, 102	●

Photo: Gold Coast Light Rail Stage 2, Queensland, Australia, CPB Contractors.

Financial Report

Financial Report

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Consolidated Statement of Profit or Loss

for the 12 months to 31 December 2017

	Note	12 months to December 2017 $m	12 months to December 2016 $m
Revenue	2	13,429.5	10,853.6
Expenses	3	(12,377.2)	(10,051.2)
Share of profit / (loss) of associates and joint venture entities	25, 26	(49.9)	(44.0)
Earnings before interest and tax ("EBIT")		1,002.4	758.4
Finance income	4	71.6	73.5
Finance costs	4	(114.8)	(91.5)
Net finance income / (costs)		(43.2)	(18.0)
Profit before tax		959.2	740.4
Income tax (expense) / benefit	6	(268.6)	(188.0)
Profit for the year		690.6	552.4
(Profit) / loss for the year attributable to non-controlling interests		11.5	27.9
Profit for the year attributable to shareholders of the parent entity		702.1	580.3
Dividends per share - Final	23	75.0¢	62.0¢
Dividends per share - Interim	23	60.0¢	48.0¢
Basic earnings per share	24	216.5¢	176.6¢
Diluted earnings per share	24	216.5¢	176.4¢

The consolidated statement of profit or loss is to be read in conjunction with the notes to the consolidated financial report.

Consolidated Statement of Other Comprehensive Income

for the 12 months to 31 December 2017

	Note	12 months to December 2017 $m	12 months to December 2016 $m
Profit for the year attributable to shareholders of the parent entity		702.1	580.3
Other comprehensive income attributable to shareholders of the parent entity:			
Items that may be reclassified to profit or loss:			
- Foreign exchange translation differences (net of tax)	21	(222.0)	35.7
- Effective portion of changes in fair value of cash flow hedges (net of tax)	21	4.4	(14.5)
Items that will not be reclassified to profit or loss:			
- Recycling of associate reserve	21	-	(21.2)
- Recycling of fair value reserve	21	-	(20.0)
Other comprehensive income / (expense) for the year		(217.6)	(20.0)
Total comprehensive income / (expense) for the year attributable to shareholders of the parent entity		484.5	560.3
Total comprehensive income / (expense) for the year attributable to shareholders of the parent entity:			
Total comprehensive income / (expense) for the year		473.0	532.4
Total comprehensive (income) / expense for the year attributable to non-controlling interests		11.5	27.9
Total comprehensive income / (expense) for the year attributable to shareholders of the parent entity		484.5	560.3

The consolidated statement of other comprehensive income is to be read in conjunction with the notes to the consolidated financial report.

Consolidated Statement of Financial Position

as at 31 December 2017

	Note	31 December 2017 $m	Restated[1] 31 December 2016 $m
Assets			
Cash and cash equivalents	7	1,813.8	1,576.5
Trade and other receivables	8	3,216.3	3,209.6
Current tax assets	9	29.0	28.0
Inventories: consumables and development properties	10	210.8	213.0
Assets held for sale	30	32.2	47.7
Total current assets		5,302.1	5,074.8
Trade and other receivables	8	1,090.8	1,235.8
Inventories: development properties	10	167.6	166.9
Investments accounted for using the equity method	11	382.7	616.5
Other investments	12	169.2	135.4
Deferred tax assets	13	145.4	328.1
Property, plant and equipment	14	1,224.0	1,355.7
Intangibles	15	1,089.7	1,146.9
Total non-current assets		4,269.4	4,985.3
Total assets		9,571.5	10,060.1
Liabilities			
Trade and other payables	16	4,737.4	4,781.1
Current tax liabilities	17	40.4	126.6
Provisions	18	311.8	333.3
Interest bearing liabilities	19	265.6	618.2
Total current liabilities		5,355.2	5,859.2
Trade and other payables	16	152.0	287.0
Provisions	18	69.3	73.5
Interest bearing liabilities	19	637.8	549.0
Total non-current liabilities		859.1	909.5
Total liabilities		6,214.3	6,768.7
Net assets		3,357.2	3,291.4
Equity			
Share capital	20	1,750.3	1,750.3
Reserves	21	(554.3)	(325.6)
Retained earnings	22	2,183.0	1,876.5
Total equity attributable to equity holders of the parent		3,379.0	3,301.2
Non-controlling interests		(21.8)	(9.8)
Total equity		3,357.2	3,291.4

[1] *Amounts have been restated at December 2016 due to the finalisation of the purchase price allocation on the UGL acquisition as set out in Note 29: Acquisitions and disposals of controlled entities and businesses.*

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated financial report.

Consolidated Statement of Changes in Equity

for the 12 months to 31 December 2017

	Note	Share capital	Reserves[1]	Retained earnings	Attributable to equity holders[1]	Non-controlling interests	Total equity[1]
		$m	$m	$m	$m	$m	$m
Total equity at 1 January 2016		2,052.5	423.6	1,616.7	4,092.8	22.5	4,115.3
Profit for the year		-	-	580.3	580.3	(27.9)	552.4
Other comprehensive income		-	(20.0)	-	(20.0)	-	(20.0)
Transactions with shareholders in their capacity as shareholders:							
- Dividends	23	-	-	(320.5)	(320.5)	-	(320.5)
- Share based payments	21	-	(17.8)	-	(17.8)	-	(17.8)
- Share buy-back	20, 21	(302.2)	(123.7)	-	(425.9)	-	(425.9)
- Acquisitions of controlled entities	29	-	(587.7)	-	(587.7)	(4.4)	(592.1)
Total transactions with shareholders		(302.2)	(729.2)	(320.5)	(1,351.9)	(4.4)	(1,356.3)
Total equity at 31 December 2016		1,750.3	(325.6)	1,876.5	3,301.2	(9.8)	3,291.4
Profit for the year		-	-	702.1	702.1	(11.5)	690.6
Other comprehensive income		-	(217.6)	-	(217.6)	-	(217.6)
Transactions with shareholders in their capacity as shareholders:							
- Dividends	23	-	-	(395.6)	(395.6)	-	(395.6)
- Share based payments	21	-	(11.1)	-	(11.1)	-	(11.1)
- Other		-	-	-	-	(0.5)	(0.5)
Total transactions with shareholders		-	(11.1)	(395.6)	(406.7)	(0.5)	(407.2)
Total equity at 31 December 2017		1,750.3	(554.3)	2,183.0	3,379.0	(21.8)	3,357.2

[1] *Amounts have been restated at December 2016 due to the finalisation of the purchase price allocation on the UGL acquisition as set out in Note 29: Acquisitions and disposals of controlled entities and businesses.*

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial report.

Consolidated Statement of Cash Flows

for the 12 months to 31 December 2017

	Note	12 months to December 2017 $m	12 months to December 2016 $m
Cash flows from operating activities			
Cash receipts in the course of operations (including GST)		14,089.9	12,402.7
Cash payments in the course of operations (including GST)		(12,566.5)	(11,201.3)
Cash flows from operating activities		1,523.4	1,201.4
Dividends received		-	6.9
Interest received		26.0	24.9
Finance costs paid		(106.2)	(85.2)
Income taxes (paid) / received		(80.8)	(21.0)
Net cash from operating activities	28 (a)	1,362.4	1,127.0
Cash flows from investing activities			
Payments for intangibles		(14.2)	(14.7)
Payments for property, plant and equipment		(424.1)	(280.2)
Proceeds from sale of property, plant and equipment		118.6	97.8
Proceeds from sale of investments		46.9	180.8
Cash acquired from acquisition of investments in controlled entities and businesses	29	-	244.4
Income tax paid in relation to proceeds from sale of investments in controlled entities and businesses		(59.0)	(32.0)
Payments for investments		(60.1)	(325.1)
Loans to associates and joint ventures		(40.9)	(152.7)
Net cash from investing activities		(432.8)	(281.7)
Cash flows from financing activities			
Own shares purchased from shareholders of the Company	20	-	(425.9)
Cash payments in relation to employee share plans		(8.6)	(18.8)
Proceeds from borrowings	28 (b)	1,517.0	380.4
Repayment of borrowings	28 (b)	(1,705.9)	(380.1)
Repayment of finance leases	28 (b)	(21.2)	(276.9)
Dividends paid to non-controlling interests		-	(12.6)
Dividends paid to shareholders of the Company	23	(395.6)	(320.5)
Payments to acquire non-controlling interests		(29.3)	(389.0)
Net cash from financing activities		(643.6)	(1,443.4)
Net increase / (decrease) in cash held		286.0	(598.1)
Cash and cash equivalents at the beginning of the period		1,576.5	2,167.8
Effects of exchange rate fluctuations on cash held		(48.7)	6.8
Cash and cash equivalents at reporting date	7	1,813.8	1,576.5

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated financial report.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

CIMIC Group Limited (the "Company") is a company domiciled in Australia. The consolidated financial statements of the Company comprise the Company and its controlled entities (the "Consolidated Entity" or "Group") and the Consolidated Entity's interest in associates and joint arrangements.

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and in accordance with the *Corporations Act 2001*. The financial report of the Consolidated Entity also complies with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB").

The standards, amendments to standards and interpretations available for early adoption at reporting date that have not been applied in preparing this financial report are detailed in Note 39: *New accounting standards.*

Basis of preparation

Presentation

The financial report is presented in Australian dollars which is the Company's functional currency. All amounts disclosed in the financial report relate to the Group unless otherwise stated. The financial report has been prepared on the historical cost basis, except for available-for-sale assets and derivative financial instruments, which are measured at fair value.

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191* and in accordance with that ASIC Instrument, amounts in the financial report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

The significant accounting policies adopted in the preparation of the financial report are set out below. These policies have been applied consistently to all periods presented in the financial report.

New and amended standards adopted by the Company

In the current year, the Company has applied a number of new and revised accounting standards and amendments that are mandatorily effective for an accounting period that begins on or after 1 January 2017, as follows:

- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*;
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to* AASB 107; and
- AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle.*

While these standards introduced new disclosure requirements, they do not affect the Group's accounting policies or any of the amounts recognised in the financial statements.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and are believed to be reasonable under the circumstances. Revisions to estimates are recognised in the period in which the estimate is revised and in any future period affected.

Judgements made in the application of AASBs that could have a significant effect on the financial report and estimates with a risk of adjustment in the next year are as follows:

- Construction and mining contracting projects:
  - determination of stage of completion;
  - estimation of total contract revenue and contract costs;
  - assessment of the probability of customer approval of variations and acceptance of claims;
  - estimation of project completion date; and
  - assumed levels of project execution productivity.

It is reasonably possible on the basis of existing knowledge that actual outcomes within the next financial year that are different from the estimates and assumptions in the areas listed above could require a material adjustment to the carrying value of amounts due from and due to customers and amounts receivable from and payable to related parties. Refer to Note 8: *Trade and other receivables*, Note 16: *Trade and other payables* and Note 37: *Related party disclosures.*

- Lease classification;
- Asset disposals:
  - Controlled entities and businesses: determination of loss of control and fair value of consideration; and
  - Other assets: determination as to whether the significant risks and rewards of ownership have transferred;
- Estimation of the economic life of property, plant and equipment and intangibles;
- Asset impairment testing, including assumptions in value in use calculations;
- Assessment of the fair value of available-for-sale assets and derivatives; and
- Determination of the fair value arising from business combinations.

Basis of consolidation

Subsidiaries

The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Results of controlled entities are included in the consolidated statement of profit or loss from the date control is obtained or excluded from the date the entity is no longer controlled. Intragroup balances and transactions, and any unrealised gains or losses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the controlled entity.

Any difference between the amount of the adjustment to non-controlling interests and the fair value of the consideration paid or received is recognised in the equity reserve. When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Basis of consolidation continued

Controlled entities

Investments in controlled entities are carried in the Company's financial statements at cost less impairment.

Investments in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the entity. Significant influence is presumed to exist when the Group owns between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and recognised initially at cost. The cost of the investments includes transaction costs and goodwill on acquisition.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investments, after adjustments for impairment and after aligning the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investment, the carrying value of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further loss is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Joint arrangements

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. The Company has assessed the nature of its joint arrangements and determined to have both joint operations and joint ventures.

Joint operations

The Group recognises its direct right, and its share of, jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate headings. Details of joint operations are set out in Note 27: *Joint operations*.

Joint ventures

Interests in joint ventures are accounted for using the equity method. Under this method, the interests are initially recognised in the consolidated statement of financial position at cost, including transaction costs and goodwill on acquisition, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income in profit or loss and other comprehensive income respectively.

When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been adjusted for where necessary, to ensure consistency with the policies adopted by the Group.

Other investments

Other investments are accounted for as either available-for-sale financial assets, or fair value through profit and loss financial assets.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

a) Revenue recognition

Revenue from construction contracting services is recognised using the percentage complete method. Stage of completion is measured by reference to costs incurred to date as a percentage of estimated total costs for each contract. Where the project result can be reliably estimated, contract revenue and expenses are recognised in the statement of profit or loss as earned and incurred. Where the project result cannot be reliably estimated, profits are deferred and the difference between consideration received and expenses is carried forward as either a contract receivable or contract payable. Once the contract result can be reliably estimated, the profit earned to that point is recognised immediately.

Revenue from mining contracts and mineral processing is recognised on the basis of the value of work completed.

Services revenue arises from operations and maintenance and other utility services supplied to oil, gas, power and water facilities; and operations and maintenance of rail systems, locomotives and wagons. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at reporting date. The stage of completion is assessed by reference to work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or if the costs incurred or to be incurred cannot be measured reliably.

Other revenue includes rental income which is recognised as services are provided, and revenue from the sale of property developments and land sales which is recognised when the significant risks and rewards of ownership have been transferred.

Expected losses on all contracts are recognised in full as soon as they become apparent.

Interest revenue is recognised on an accruals basis. Dividend income is recognised when the dividend is declared.

b) Finance costs

Finance costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets. The capitalisation rate used to determine the amount of finance costs to be capitalised to qualifying assets is the weighted average interest rate applicable to the entity's borrowings during the period.

Finance costs include interest on bank overdrafts and short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and certain exchange differences arising from foreign currency borrowings.

c) Income tax

Income tax expense on the profit or loss for the period comprises current and deferred tax expense. Income tax expense is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The Group adopts the statement of financial position liability method to provide for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Taxable temporary differences are not provided for the initial recognition of goodwill. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the statement of financial position date.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The Company is the head entity in the Tax Consolidated Group comprising the Australian wholly-owned subsidiaries. The head entity recognises all of the current tax assets and liabilities and deferred tax assets in respect of tax losses of the Tax Consolidated Group (after elimination of intra-group transactions). Deferred tax assets and liabilities in respect of temporary differences are recognised in the subsidiaries' financial statements.

The Tax Consolidated Group has entered into a tax funding agreement that requires wholly-owned subsidiaries to make contributions to the head entity for current tax assets and liabilities occurring after the implementation of tax consolidation. Under the tax funding agreement, the contributions are calculated using the "group allocation" approach so that the contributions are equivalent to the current tax balances generated by transactions entered into by wholly-owned subsidiaries. The contributions are payable as set out in the agreement and reflect the timing of the head entity's obligations to make payments for tax liabilities to the relevant tax authorities. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities with a consequential adjustment to current tax assets.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

d) Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing profit attributable to shareholders of the parent entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the period.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

e) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. When acquired, non-derivative financial instruments are recognised at fair value. At subsequent reporting dates they are measured at amortised cost unless specifically mentioned below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank and call deposits. For the purposes of the statement of cash flows, net cash includes cash on hand, at bank and short term deposits at call, net of bank overdrafts where there is an ability to offset and an intention to settle.

Trade and other receivables

Contract and trade debtors include all net receivables from construction, contract mining and mineral processing, property development, and other services. Included in contract debtors is the progressive valuation of work completed. The valuation of work completed is made after bringing to account a proportion of the estimated contract profits and after recognising all forecast losses. Contract and trade debtors are normally settled within 60 days of billing.

Where payments received exceed the revenue recognised, the difference is recorded as a liability in the statement of financial position.

Other amounts receivable generally arise from transactions other than the revenue generating activities and include amounts in respect of sales of assets and taxes receivable. Interest may be charged at market rates based on individual debtor arrangements. Amounts receivable expected to be received after twelve months are discounted. Recoverability is assessed at reporting date and provision made for any doubtful debts. Prepayments represent amounts paid for the rights to receive future goods or services.

Available-for-sale financial assets

Available-for-sale assets are initially recognised at cost, being the fair value of the consideration given and include acquisition costs. Subsequently, available-for-sale assets are measured at fair value. Changes in fair value are recognised as a separate component of equity in the fair value reserve. When the asset is sold, collected or otherwise disposed, or if the asset is determined to be impaired, the cumulative gain or loss previously reported in equity is recognised in the statement of profit or loss.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets designated as at fair value through profit and loss comprise equity securities that otherwise would have been classified as available-for-sale. These financial assets are measured at fair value at each reporting date and movements in fair value are taken into the statement of profit and loss.

Interest bearing liabilities

All loans and borrowings are initially recognised at fair value, being the amount received less attributable transaction costs. After initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

Trade and other payables

Liabilities are recognised for amounts to be paid for goods or services received. Trade payables are settled on terms aligned with the normal commercial terms in the Group's countries of operation.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

f) Derivative financial instruments

Derivative financial instruments are stated at fair value, with changes in fair value recognised in the statement of profit or loss. Where derivative financial instruments qualify for hedge accounting, recognition of changes in fair value depends on the nature of the item being hedged. Hedge accounting is discontinued when the hedging relationship is revoked, the hedging instrument expires, is sold, terminated, exercised, or no longer qualifies for hedge accounting.

Cash flow hedge

Changes in the fair value of designated and qualifying cash flow hedges are deferred in equity. Where it is expected that all or a portion of a loss recognised directly in equity will not be recovered in future periods, that loss is recognised in the statement of profit or loss.

Amounts deferred are included in the initial measurement of the cost of the asset or liability where the forecast transaction being hedged results in the recognition of a non-financial asset or a non-financial liability.

Cash flow hedges relating to operating activities are recognised in profit or loss in the same period the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss deferred in equity is recognised immediately in profit or loss.

Hedges of net investments in foreign operations

Gains or losses on the hedging instrument are recognised in the foreign currency translation reserve. Gains and losses deferred in the foreign currency translation reserve are recognised in profit or loss upon disposal of the foreign operation.

Fair value hedge

Changes in the fair value of designated and qualifying fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged item that is attributable to the hedged risk. When hedge accounting is discontinued the adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income.

Call option to acquire remaining shares in joint venture

Changes in the fair value of the option are recorded in profit and loss. If the option is called the joint venture will be acquired in a business combination and the fair value of the option at the point it is utilised will form part of the purchase consideration for the remaining shares.

g) Inventories

Inventories are carried at the lower of cost and net realisable value. Inventories comprise:

Property developments

Cost includes the costs of acquisition, development and holding costs such as rates, taxes and finance costs. Holding costs on property developments not under active development are expensed as incurred.

Raw materials and consumables

Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

h) Assets held for sale and liabilities associated with assets held for sale

Assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, rather than through continuing use, and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised.

Assets classified as held for sale are presented separately from the other assets in the statement of financial position. Assets are not depreciated or amortised while they are classified as held for sale.

Liabilities associated with assets held for sale are presented separately from other liabilities in the statement of financial position. Interest and other expenses attributable to the liabilities associated with assets held for sale continue to be recognised.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

i) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation and amortisation

Depreciation and amortisation is calculated so as to write-off the net book values of property, plant and equipment over their estimated effective useful lives as follows:

- freehold buildings: straight line method - up to 40 years;
- major plant and equipment: cumulative number of hours worked - up to 10 years;
- major plant and equipment - component parts: cumulative number of hours worked - up to 10 years;
- leased plant and equipment: cumulative number of hours worked - up to 10 years;
- office and other equipment: diminishing value method - up to 10 years; and
- leasehold buildings and improvements: straight line method, over the terms of the leases - up to 40 years.

Subsequent costs

Subsequent expenditure is included in the carrying amount of property, plant and equipment only when it is probable that the associated future economic benefits will flow to the Group. All other costs are recognised in the statement of profit or loss.

j) Leased assets

Leases under which the Group assumes substantially all of the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

A lease asset equal to the lower of the fair value of the leased property and the present value of the minimum lease payments is recorded at the inception of the lease. A finance lease liability is recognised at the net present value of future finance lease rentals and residuals. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals, which are potential incremental lease payments not fixed in amount as they relate to future changes, are expensed as incurred.

Operating leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease.

k) Business combinations

The acquisition method of accounting is used to account for all business combinations. The consideration for the acquisition of a controlled entity comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any pre-existing equity interest in the controlled entity. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The excess of the consideration transferred over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill.

Where the consideration is less than the fair value of the net identifiable assets of the controlled entity acquired the difference is recognised directly in the statement of profit or loss as a gain on acquisition of a controlled entity.

l) Intangible assets

Goodwill

Goodwill arising from business combinations is included in intangible assets. Goodwill on acquisition of associates is included in equity accounted investments. Goodwill is not amortised but it is tested for impairment annually or more frequently if there is an indication that it might be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

l) Intangible assets continued

Brand names

Brand names acquired as part of a business combination are recognised separately from goodwill. Brand names are carried at their fair value at the date of acquisition less accumulated amortisation and any impairment losses. Where brand names' useful lives are assessed as indefinite, the brand names are not amortised but are tested for impairment annually, or more frequently whenever there is an indication that it might be impaired. Where brand names' useful lives are assessed as finite, the brand names are amortised over their estimated useful lives

Customer contracts

Customer contracts acquired as part of a business combination are recognised separately from goodwill. Customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and any impairment losses. Where customer contracts' useful lives are assessed as indefinite, the customer contract is not amortised but is tested for impairment annually, or more frequently whenever there is an indication that it might be impaired. Where customer contracts' useful lives are assessed as finite, the customer contracts are amortised over their estimated useful lives.

IT systems

Costs incurred in developing systems and costs incurred in acquiring software and licenses that will provide future period economic benefits are capitalised to other intangibles. Costs capitalised include external direct costs of materials and services and direct payroll and payroll related costs of employees' time spent on projects. IT systems are amortised over their estimated useful lives of up to 8 years.

IT systems are carried at cost less accumulated amortisation and any impairment losses.

m) Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of goodwill and indefinite lived intangible assets are reviewed at each reporting date irrespective of an indication of impairment.

An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. An asset's recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount for an asset that does not generate largely independent cash flows is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised in the statement of profit or loss unless the asset has been previously revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised in the statement of profit or loss. Reversals of impairment losses, other than in respect of goodwill and available-for-sale assets, are recognised in the statement of profit or loss.

n) Employee benefits

Liabilities in respect of employee benefits which are not due to be settled within twelve months are discounted at period end using rates which most closely match the terms of maturity of the related liabilities. Corporate bond rates are utilised where a deep market exists. Rates from national government securities are utilised where a deep market for Corporate bonds does not exist.

Wages, salaries, annual and long service leave

The provision for employee entitlements to wages, salaries and annual and long service leave represents the amount which the Group has a present obligation to pay resulting from employees' services provided up to the reporting date. Provisions have been calculated based on expected wage and salary rates and include related on-costs. In determining the liability for these employee entitlements, consideration has been given to estimated future increases in wage rates, and the Group's experience with staff departures.

Superannuation

Defined contribution superannuation plans exist to provide benefits for eligible employees or their dependants. Contributions by the Group are expensed to the statement of profit or loss as incurred.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

n) Employee benefits continued

Share-based payment transactions

Ownership based remuneration is provided to employees via the plans outlined in Note 36: *Employee benefits*. The fair value of share options and share rights are recognised as an expense over the vesting period.

Shares are recognised when either options are exercised and the proceeds received or shares are issued to settle share rights.

Retention arrangements

Retention arrangements are in place ranging from three years to retirement for certain key employees which are payable upon completion of the retention period.

The provisions are accrued on a pro-rata basis during the retention period and have been calculated based on salary rates, including related on-costs.

Annual bonus and deferred incentive arrangements

Annual bonuses and deferred incentives are provided at reporting date and include related on-costs. The Group recognises a provision where there is a contractual or constructive obligation.

o) Share capital

Ordinary share capital

Issued and paid up capital is recognised at its par value, being the consideration received by the Company.

Dividends

Provision is not made for dividends unless the dividend has been declared by the Directors, but not distributed, at or before the end of the period.

p) Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars.

Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions are recognised in the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Translation of controlled foreign entities

Assets and liabilities of controlled foreign entities are translated into the presentation currency at the rates of exchange at reporting date and the statement of profit or loss is translated at the rates approximating foreign exchange rates ruling at the dates of the transactions. The resulting exchange differences are taken directly to the foreign currency translation reserve. Exchange gains and losses on transactions which form part of the net investments in foreign controlled entities together with any related income tax effect are recognised in the foreign currency translation reserve on consolidation. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign entity is recognised in the statement of profit or loss as part of the gain or loss on sale.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

2. REVENUE

	Note	12 months to December 2017 $m	12 months to December 2016 $m
Construction revenue		7,599.1	7,316.8
Mining and mineral processing revenue		3,164.4	2,786.2
Services revenue		2,607.2	204.2
Other revenue		58.7	539.5
Revenue from external customers		13,429.4	10,846.7
Dividends / distributions		0.1	6.9
Total revenue	31	13,429.5	10,853.6

3. EXPENSES

	Note	12 months to December 2017 $m	12 months to December 2016 $m
Materials		(2,455.1)	(1,666.8)
Subcontractors		(3,928.5)	(3,641.6)
Plant costs		(1,061.3)	(901.2)
Personnel costs		(3,530.2)	(2,432.0)
Depreciation and impairment of property, plant and equipment	14	(463.7)	(304.9)
Amortisation of intangibles	15	(47.6)	(32.5)
Impairment of intangibles	15	(8.0)	(10.0)
Net gain / (loss) on sale of equity accounted investments	26	-	70.1
Net gain / (loss) on acquisition of controlled entities		-	46.6
Net gain / (loss) on sale of assets		12.9	(1.4)
Property development - cost of goods sold		(62.3)	(471.3)
Foreign exchange gains / (losses)		3.3	(1.3)
Operating lease payments - plant and equipment		(256.7)	(230.5)
Operating lease payments - other		(123.6)	(157.1)
Design, engineering and technical consulting fees		(51.6)	(53.3)
Gain on fair value of option to acquire shares	26	-	75.0
Other expenses		(404.8)	(339.0)
Total expenses		(12,377.2)	(10,051.2)

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

4. NET FINANCE INCOME / (COSTS)

	Note	12 months to December 2017 $m	12 months to December 2016 $m
Finance income			
Interest income			
- Related parties	37 (b)	34.1	27.2
- Other parties		27.6	24.6
Unwinding of discounts on non-current receivables			
- Related parties	37 (b)	9.7	8.8
- Other parties		0.2	12.9
Total finance income		71.6	73.5
Finance costs			
Interest expense		(86.3)	(57.9)
Finance charge for finance leases		(0.9)	(9.2)
Facility fees			
- Bank guarantees, insurance bonds and letters of credit		(13.4)	(14.4)
- Other		(6.0)	(7.1)
Impact of discounting			
- Related parties	37 (b)	(0.2)	(0.1)
- Other		(8.0)	(2.8)
Total finance costs		(114.8)	(91.5)
Net finance income / (costs)		(43.2)	(18.0)

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

5. AUDITORS' REMUNERATION

	12 months to December 2017 $'000	12 months to December 2016 $'000
Audit and review services		
Deloitte Touche Tohmatsu ("Deloitte")		
- Audit and review of financial statements – Deloitte Australia	3,040	2,850
- Audit and review of financial statements – related overseas firms	1,270	1,204
Other auditors		
- Audit and review of financial statements – other auditors	422	258
Audit and review services	4,732	4,312
Other assurance services		
Deloitte		
- Other assurance services – Deloitte Australia	363	-
- Other assurance services – related overseas firms	3	-
Other auditors		
- Other assurance services – other auditors	20	36
Other assurance services	386	36
Other services		
Deloitte		
- In relation to taxation and other services – Deloitte Australia	-	135
- In relation to taxation and other services – related overseas firms	-	-
Other auditors		
- Other services – other auditors	29	4
Other services	29	139

The Group may use Deloitte on assignments in addition to their statutory audit duties to utilise their expertise and experience with the Group. These assignments are assessed and approved in accordance with the Group's External Auditor Independence Charter.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

6. INCOME TAX EXPENSE

	12 months to December 2017 $m	12 months to December 2016 $m
Income tax expense recognised in the statement of profit or loss		
Current tax expense	(104.9)	(116.3)
Deferred tax expense	(164.6)	(97.7)
Over provision in prior periods	0.9	26.0
Total income tax expense in statement of profit or loss	(268.6)	(188.0)
Deferred tax recognised directly in equity		
Revaluation of cash flow and net investment hedges	(1.8)	6.2
Recycling of reserves	-	8.6
Total deferred tax (expense) / benefit recognised in equity	(1.8)	14.8
Reconciliation of prima facie tax to income tax expense		
Profit from continuing operations	959.2	740.4
Profit before tax	959.2	740.4
Prima facie income tax expense at 30% (31 December 2016: 30%)	(287.8)	(222.1)
The following items have affected income tax (expense) / benefit for the year:		
Gain on fair value of option to acquire shares	-	22.5
Tax losses not recognised	(14.9)	(18.7)
Overseas income tax differential	10.6	9.4
Research and development credit	2.0	3.5
Movement in provision for taxes on retained earnings of controlled entities	(12.2)	(7.0)
Equity accounted and joint venture income tax differential	(27.2)	(21.6)
Loss on sale of investment	37.7	-
Other	22.3	20.0
Current period income tax expense	(269.5)	(214.0)
Over provision in prior periods	0.9	26.0
Income tax expense	(268.6)	(188.0)

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

7. CASH AND CASH EQUIVALENTS

	December 2017 $m	December 2016 $m
Funds on deposit	663.3	597.6
Cash at bank and on hand	1,150.5	978.9
Cash and cash equivalents	1,813.8	1,576.5

As at 31 December 2017: $267.7 million (31 December 2016: $166.7 million) of cash at bank in relation to the sale of receivables during the reporting period and $33.7 million (31 December 2016: $34.4 million) of cash reserved for warranties is classified as restricted cash.

8. TRADE AND OTHER RECEIVABLES

	Note	December 2017 $m	December 2016 $m
Contract debtors[1]		3,170.9	3,282.9
Contract debtors provision		(675.0)	(675.0)
Total contract debtors		2,495.9	2,607.9
Trade debtors		180.7	302.7
Other amounts receivable		479.9	364.3
Prepayments		46.2	46.5
Derivative financial assets	35	11.5	17.3
Amounts receivable from related parties[2]	37 (b)	1,087.8	1,077.8
Non-current tax asset[3]		5.1	28.9
Total trade and other receivables		4,307.1	4,445.4
Current[1]		3,216.3	3,209.6
Non-current		1,090.8	1,235.8
Total trade and other receivables		4,307.1	4,445.4

[1] Contract debtors includes an amount equal to $1.15 billion (31 December 2016: $1.15 billion) relating to the Gorgon LNG Jetty and Marine Structures Project being undertaken by CPB Contractors Pty Ltd (CPB), a wholly owned subsidiary of CIMIC, together with its consortium partners, Saipem SA and Saipem Portugal Comercio Maritime LDA (together the Consortium) for Chevron Australia Pty Ltd (Chevron) (Gorgon Contract).

The position is:

- *In November 2009 the Consortium was announced as the preferred contractor to construct the 2.1 kilometre Chevron Gorgon LNG Jetty and Marine Structures project on Barrow Island, 70 kilometres off the Pilbara coast of Western Australia.*
- *The scope of work consisted of the design, material supply, fabrication, construction and commissioning of the LNG Jetty. The scope also included supply, fabrication and construction of marine structures including a heavy lift facility, tug pens and navigation aids.*
- *The jetty comprised steel trusses approximately 70 metres long supported by concrete caissons leading to the loading platform approximately 4 kilometres from the shore.*
- *Initial acceptance of the jetty and marine structures took place on 15 August 2014.*
- *During the project, changes to scope and conditions led to the Consortium submitting Change Order Requests (CORs). The Consortium, Chevron and Chevron's agent, entered into negotiations in relation to some of the CORs.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

8. TRADE AND OTHER RECEIVABLES CONTINUED

- *On 9 February 2016 the Consortium formally issued a Notice of Dispute to Chevron in connection with the Gorgon Contract relating to the CORs. Following a period of prescribed negotiation, the parties have entered a private arbitration as prescribed by the Gorgon Contract.*
- *On 20 August 2016, in order to pursue further its entitlement under the contract, CIMIC Group commenced proceedings in the United States against Chevron Corporation and KBR Inc. The commencement of the proceedings has no effect on the contract process or CIMIC's entitlement to the amounts under negotiation / claimed in the aribtration.*

Since December 2016, the arbitration has continued in accordance with the contractual terms. The Arbitrators have been appointed and have made orders for the conduct of the proceedings and it is anticipated that the hearings will be in 2019 with a determination thereafter.

[2]The Group has trade and other receivables relating to HLG Contracting LLC ("HLG Contracting") totaling US$816.1 million (31 December 2016: US$751.1 million) equivalent to $1,046.3 million (31 December 2016: $1,043.2 million) with an expected repayment date of 30 September 2021.

Following the completion of the new four-year syndicated loan facility to refinance existing borrowing facilities (refer to Note 26: Joint venture entities for further information) all non-interest bearing loans and accrued interest have been transferred to interest bearing loans.

The repayment of the above loans is subject to certain restrictions as a result of the loans being subordinate to other external debt held by HLG Contracting, such as the new syndicated loan facility. Repayment of these amounts can be subject to prior written consent from the financier, or where a permitted payment under the financing arrangement occurs.

[3]The non-current tax asset of $5.1 million (31 December 2016: $28.9 million) represents the amount of income taxes recoverable from the payment of tax in excess of the amounts due to the relevant tax authority not expected to be received within twelve months after reporting date.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

8. TRADE AND OTHER RECEIVABLES CONTINUED

			December 2017 $m	Restated[1] December 2016 $m
Additional information on contract debtors				
Amounts due from customers	-	contract debtors	2,495.9	2,607.9
Amounts due to customers	-	trade and other payables	(1,112.1)	(1,283.3)
Net contract debtors			1,383.8	1,324.6
Net contract debtors excluding retentions			1,227.5	1,071.8
Retentions			156.3	252.8
Net contract debtors			1,383.8	1,324.6
Cash received to date			69,350.3	71,055.8
Total progressive value of all contracts in progress at reporting date			70,734.1	72,380.4

	12 months to December 2017 $m	12 months to December 2016 $m
Contract debtors provision		
Balance at beginning of reporting period	(675.0)	(675.0)
Net provision (made) / used	-	-
Balance at reporting date[2]	(675.0)	(675.0)

[1] Amounts have been restated at December 2016 due to the finalisation of the purchase price allocation on the UGL acquisition as set out in Note 29: Acquisitions and disposals of controlled entities and businesses.
[2]The Group maintains a contract debtors provision to cover the risk on a portfolio basis of unrecoverable contract debtors.

9. CURRENT TAX ASSETS

The current tax asset of $29.0 million (31 December 2016: $28.0 million) represents the amount of income taxes recoverable from the payment of tax in excess of the amounts due to the relevant tax authority.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

10. INVENTORIES

	December 2017 $m	December 2016 $m
Property developments		
Cost of acquisition	60.2	66.3
Development expenses capitalised	134.5	110.8
Rates, taxes, finance and other costs capitalised	34.6	28.2
Total property developments	229.3	205.3
Other inventories		
Raw materials and consumables at cost	149.1	174.6
Total other inventories	149.1	174.6
Total inventories	378.4	379.9
Current	210.8	213.0
Non-current	167.6	166.9
Total inventories	378.4	379.9

Finance costs capitalised to property developments during the period were $2.2 million (31 December 2016: $5.5 million). Property developments pledged as security for interest bearing liabilities - refer to Note 35(j): *Financial instruments - Assets pledged as security*.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	December 2017 $m	December 2016 $m
Associates	25	38.9	72.9
Joint venture entities	26	343.8	543.6
Total investments accounted for using the equity method		382.7	616.5

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

12. OTHER INVESTMENTS

	Note	December 2017 $m	December 2016 $m
Equity and stapled securities available-for-sale			
Listed investments		1.5	1.9
Unlisted investments		5.8	5.4
Total equity and stapled securities available-for-sale	35 (f)	7.3	7.3
Other financial assets at fair value through profit or loss			
Unlisted investments		92.7	53.1
Call option to acquire shares		69.2	75.0
Total other financial assets at fair value through profit or loss	35 (f)	161.9	128.1
Current		-	-
Non-current		169.2	135.4
Total other investments		169.2	135.4

13. DEFERRED TAXES

	December 2017 $m	Restated[1] December 2016 $m
Recognised deferred tax assets / (liabilities)		
Deferred tax assets are attributed to the following:		
Contract debtors	357.4	452.8
Property developments	15.6	17.6
Other inventories	6.5	5.8
Property, plant and equipment	19.8	(18.4)
Employee benefits	99.2	113.2
Contract profit differential	(391.3)	(296.5)
Withholding tax on retained earnings of non-resident and controlled entities	(83.1)	(71.0)
Investment revaluations	42.5	53.7
(Gain) / loss on disposal / acquisition of controlled entities	(98.9)	(101.5)
Foreign exchange	27.5	13.7
Tax losses	126.5	164.5
Other	23.7	(5.8)
Total deferred taxes	145.4	328.1
Unrecognised deferred tax assets		
Deferred tax assets which have not been recognised in respect of tax losses	127.7	116.0

[1] *Amounts have been restated at December 2016 due to the finalisation of the purchase price allocation on the UGL acquisition as set out in Note 29: Acquisitions and disposals of controlled entities and businesses.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

14. PROPERTY, PLANT AND EQUIPMENT

	Note	Land $m	Buildings $m	Leasehold land, buildings and improvements $m	Plant and equipment $m	Total property, plant and equipment $m
At 1 January 2016						
Cost or fair value		0.4	0.6	86.9	3,372.7	3,460.6
Accumulated depreciation		-	(0.4)	(59.3)	(2,088.1)	(2,147.8)
Net book amount		0.4	0.2	27.6	1,284.6	1,312.8
Year ended 31 December 2016						
Opening net book amount		0.4	0.2	27.6	1,284.6	1,312.8
Additions		-	-	28.2	252.0	280.2
Acquisitions	29	2.7	1.9	4.4	80.1	89.1
Disposals		(0.2)	(0.1)	(0.6)	(102.0)	(102.9)
Transfers		-	-	-	39.8	39.8
Depreciation		-	(0.1)	(8.2)	(296.6)	(304.9)
Effects of exchange rate fluctuations		-	-	-	41.6	41.6
Closing net book amount[1]		2.9	1.9	51.4	1,299.5	1,355.7
Year ended 31 December 2016						
Cost or fair value		2.9	2.4	109.6	3,415.6	3,530.5
Accumulated depreciation and impairment		-	(0.5)	(58.2)	(2,116.1)	(2,174.8)
Net book amount		2.9	1.9	51.4	1,299.5	1,355.7
Year ended 31 December 2017						
Opening net book amount		2.9	1.9	51.4	1,299.5	1,355.7
Additions		-	-	2.5	421.6	424.1
Disposals		(2.9)	(1.6)	(0.4)	(100.8)	(105.7)
Transfers[2]		-	-	0.1	100.4	100.5
Depreciation		-	(0.3)	(9.2)	(454.2)	(463.7)
Effects of exchange rate fluctuations		-	-	(0.1)	(86.8)	(86.9)
Closing net book amount[1]		-	-	44.3	1,179.7	1,224.0
Year ended 31 December 2017						
Cost or fair value		-	0.2	85.5	3,222.6	3,308.3
Accumulated depreciation and impairment		-	(0.2)	(41.2)	(2,042.9)	(2,084.3)
Net book amount		-	-	44.3	1,179.7	1,224.0

[1] *Plant and equipment with net book value of $nil (31 December 2016: $47.8 million) is held under finance lease.*

[2] *This balance includes amounts for assets re-acquired by the Group following the restructuring of certain leasing agreements.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

15. INTANGIBLES

	Note	Goodwill[1] $m	Other intangibles[2] $m	Total intangibles $m
At 1 January 2016				
Cost or fair value		385.6	273.6	659.2
Accumulated amortisation and impairment		(15.2)	(116.6)	(131.8)
Net book amount		370.4	157.0	527.4
Year ended 31 December 2016				
Opening net book amount		370.4	157.0	527.4
Acquisitions	29	563.2	83.7	646.9
Additions		-	13.9	13.9
Disposals		-	(1.0)	(1.0)
Impairment		-	(10.0)	(10.0)
Amortisation		-	(32.5)	(32.5)
Effects of exchange rate fluctuations		1.4	0.8	2.2
Closing net book amount		935.0	211.9	1,146.9
Year ended 31 December 2016				
Cost or fair value		948.6	369.2	1,317.8
Accumulated amortisation and impairment		(13.6)	(157.3)	(170.9)
Net book amount		935.0	211.9	1,146.9
Year ended 31 December 2017				
Opening net book amount		935.0	211.9	1,146.9
Additions		-	14.2	14.2
Disposals		-	(2.8)	(2.8)
Impairment		-	(8.0)	(8.0)
Amortisation		-	(47.6)	(47.6)
Effects of exchange rate fluctuations		(12.5)	(0.5)	(13.0)
Closing net book amount		922.5	167.2	1,089.7
Year ended 31 December 2017				
Cost or fair value		936.1	378.2	1,314.3
Accumulated amortisation and impairment		(13.6)	(211.0)	(224.6)
Net book amount		922.5	167.2	1,089.7

[1] *Amounts have been restated at December 2016 due to the finalisation of the purchase price allocation on the UGL acquisition as set out in Note 29: Acquisitions and disposals of controlled entities and businesses.*

[2] *Other intangibles include:*

- *IT software systems of $105.6 million with a useful life of up to 8 years (31 December 2016: $127.4 million up to 7 years);*
- *Customer contracts with useful lives of:*
  - *1 to 5 years $17.4 million (31 December 2016: $29.2 million); and*
  - *10 to 15 years $36.2 million (31 December 2016: $39.2 million);*
- *Engineering license of $2 million (31 December 2016: $2.1 million) with an indefinite useful life; and*
- *Devine brand name of $6.0 million (31 December 2016: $14.0 million) with an indefinite useful life.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

15. INTANGIBLES CONTINUED

	December 2017 $m	Restated[1] December 2016 $m
Impairment tests for cash-generating units containing goodwill		
Goodwill is attributable to cash generating units in the following segments:		
Construction	448.1	460.6
Mining & mineral processing	98.1	98.1
Services	376.3	376.3
Balance at reporting date	922.5	935.0

[1] *Amounts have been restated at December 2016 due to the finalisation of the purchase price allocation on the UGL acquisition as set out in Note 29: Acquisitions and disposals of controlled entities and businesses.*

As disclosed in Note 29: *Acquisitions and disposals of controlled entities and businesses*, a portion of goodwill arising on the acquisition of UGL is attributable to existing construction and services businesses. At 31 December 2016, the goodwill had been provisionally allocated to the cash-generating units that will benefit from the synergies. Accounting for business combination is now complete, and the 31 December 2016 comparative has been restated retrospectively to increase goodwill by $21.0 million, with $15.8 million attributed to the services segment and $5.2 million attributed to the construction segment.

The recoverable amount of all cash-generating units is based on value in use calculations, using five year cash flow projections based on forecast operating results and the CIMIC Group Business Plan. The recoverable amount of each cash-generating unit exceeds its carrying amount.

The key assumptions used in the value in use calculations and the approach to determining the recoverable amount of all cash-generating units in the current and previous period are:

Market / segment growth:	Economic forecasts, taking into account the Group's participation in each market
Commodity price stability:	Analysis of price forecasts, adjusted for actual experience
Inflation / CPI rates and foreign currency rates:	Economic forecasts
Discount rate:	Risk in the industry and country in which each unit operates
Growth rate:	Relevant to the market conditions and business plan

Cash-generating units	Discount rate range	Growth rate range
Construction	11-17%	3-5%
Mining & mineral processing	7-18%	3%
Services	11%	3%

Sensitivity to changes in assumptions

The recoverable amount of intangible assets exceeds their carrying values at 31 December 2017. The Group considers that for the carrying value to equal the recoverable amount, there would have to be unreasonable changes to key assumptions. The Group considers the chances of these changes occurring as unlikely.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

16. TRADE AND OTHER PAYABLES

	Note	December 2017 $m	Restated[1] December 2016 $m
Trade creditors and accruals		4,334.4	4,621.7
Other creditors		525.0	404.9
Amounts payable to related parties	37 (b)	27.8	36.9
Trade and other payables	35 (b)	4,887.2	5,063.5
Derivative financial liabilities	35 (b)	2.2	4.6
Total trade and other payables		4,889.4	5,068.1
Current		4,737.4	4,781.1
Non-current		152.0	287.0
Total trade and other payables		4,889.4	5,068.1

[1] *Amounts have been restated at December 2016 due to the finalisation of the purchase price allocation on the UGL acquisition as set out in Note 29: Acquisitions and disposals of controlled entities and businesses.*

17. CURRENT TAX LIABILITIES

The current tax liability of $40.4 million (31 December 2016: $126.6 million) represents the amounts payable in respect of current and prior periods.

18. PROVISIONS

	December 2017 $m	December 2016 $m
Employee Benefits		
Current	311.8	333.3
Non-current	69.3	73.5
Total provisions	381.1	406.8

The provision for employee benefits relates to wages and salaries, annual leave, long service leave, retirement benefits and deferred bonuses.

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for the 12 months to 31 December 2017

19. INTEREST BEARING LIABILITIES

	Note	December 2017 $m	December 2016 $m
Current			
Interest bearing loans		219.0	328.1
Finance lease liabilities		-	22.8
Interest bearing liabilities - limited recourse loans		46.6	267.3
Total current liabilities		265.6	618.2
Non-current			
Interest bearing loans		637.8	549.0
Total non-current liabilities		637.8	549.0
Total interest bearing liabilities	28(b), 35(g),(i)	903.4	1,167.2

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for the 12 months to 31 December 2017

20. SHARE CAPITAL

	Company	
	December 2017 No. of shares	December 2016 No. of shares
Issued and fully paid share capital		
Balance at beginning of reporting period	324,254,097	338,503,563
Shares bought back[1]	-	(14,249,466)
Balance at reporting date	324,254,097	324,254,097

	Company	
	12 months to December 2017 $m	12 months to December 2016 $m
Share capital		
Balance at beginning of reporting period	1,750.3	2,052.5
Par value of shares bought back[1]	-	(302.2)
Balance at reporting date	1,750.3	1,750.3

[1] On 14 December 2015 the CIMIC Group Board approved a proposal to conduct an on-market share buy-back of up to 10% of CIMIC's fully paid ordinary shares over a 12 month period, which commenced on 29 December 2015 and concluded on 28 December 2016. As at 31 December 2016, 14,249,466 shares were bought back for $425.9 million and subsequently cancelled. The associated par value of the shares cancelled totalling $302.2 million reduced share capital with the total premium paid over par value of $123.7 million taken to the share buy-back reserve in 2016.

On 12 December 2016, the CIMIC Group Board approved a further on-market share buy-back of up to 10% of CIMIC's fully paid ordinary shares for a period of 12 months commencing 29 December 2016. No shares were bought back under this scheme.

On 14 December 2017, the CIMIC Group Board approved a further on-market share buy-back of up to 10% of CIMIC's fully paid ordinary shares for a period of 12 months commencing 29 December 2017. As at 31 December 2017 no shares have been bought back under this new scheme.

Holders of ordinary shares are entitled to receive dividends, as declared from time to time, and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

21. RESERVES

	Note	12 months to December 2017 $m	Restated[1] 12 months to December 2016 $m
Foreign currency translation reserve			
Balance at beginning of reporting period		384.3	348.6
Included in statement of other comprehensive income		(222.0)	35.7
Balance at reporting date		162.3	384.3
Hedging reserve			
Balance at beginning of reporting period		(11.5)	3.0
Included in statement of other comprehensive income		4.4	(14.5)
Balance at reporting date		(7.1)	(11.5)
Fair value reserve			
Balance at beginning of reporting period		-	20.0
Included in statement of other comprehensive income		-	(20.0)
Balance at reporting date		-	-
Associates equity reserve			
Balance at beginning of reporting period		-	21.2
Included in statement of other comprehensive income	29	-	(21.2)
Balance at reporting date		-	-
Equity reserve			
Balance at beginning of reporting period[1]		(619.6)	(31.9)
Acquisition of non-controlling interests		-	(587.7)
Balance at reporting date		(619.6)	(619.6)
Share buy-back reserve			
Balance at beginning of reporting period		(123.7)	-
Premium paid over par on share buy-back		-	(123.7)
Balance at reporting date		(123.7)	(123.7)
Share based payments reserve			
Balance at beginning of reporting period		44.9	62.7
Included in statement of profit or loss		(2.5)	1.0
Share based payments		(8.6)	(18.8)
Balance at reporting date		33.8	44.9
Total reserves at reporting date		(554.3)	(325.6)

[1] *Amounts have been restated at December 2016 due to the finalisation of the purchase price allocation on the UGL acquisition as set out in Note 29: Acquisitions and disposals of controlled entities and businesses.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

21. RESERVES CONTINUED

Nature and purpose of reserves

Foreign currency translation reserve
The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of operations where their functional currency is different to the presentation currency of the Group, as well as from the translation of liabilities that hedge the Group's net investment in foreign operations.

Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to future transactions.

Fair value reserve
The fair value reserve includes the cumulative net increase above cost of the fair value of available-for-sale assets until the asset is realised or impaired.

Associates equity reserve
The associates equity reserve is used to record the Group's share of the changes in the reserves of associates.

Equity reserve
The equity reserve accounts for the differences between the fair value of, and the amounts paid or received for, equity transactions with non-controlling interests.

Share buy-back reserve
The share buy-back reserve represents the excess above par value of CIMIC shares that were purchased and subsequently cancelled. The cancellation of the shares creates a non-distributable reserve.

Share based payments reserve
The share based payments reserve is used to recognise the fair value of share based payments issued to employees over the vesting period, and to recognise the value attributable to the share based payments during the reporting period.

22. RETAINED EARNINGS

	Note	12 months to December 2017 $m	12 months to December 2016 $m
Balance at beginning of reporting period		1,876.5	1,616.7
Included in statement of profit or loss		702.1	580.3
Dividends paid	23	(395.6)	(320.5)
Balance at reporting date		2,183.0	1,876.5

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

23. DIVIDENDS

	Cents per share	$m
2017 final dividend		
Subsequent to reporting date the Company announced a 100% franked final dividend in respect of the year ended 31 December 2017. The dividend is payable on 4 July 2018. This dividend has not been provided for in the statement of financial position[1]	75.0	243.2
Dividends recognised in the reporting period to 31 December 2017		
30 June 2017 interim ordinary dividend 100% franked paid on 4 October 2017	60.0	194.6
31 December 2016 final dividend 100% franked paid on 4 July 2017	62.0	201.0
Total dividends recognised in reporting period to 31 December 2017		395.6
Dividends recognised in the reporting period to 31 December 2016		
30 June 2016 interim ordinary dividend 100% franked paid on 5 October 2016	48.0	155.6
31 December 2015 final dividend 100% franked paid on 8 April 2016	50.0	164.9
Total dividends recognised in reporting period to 31 December 2016		320.5

[1]The Board has determined a final dividend of 75 cents per share. The total dividend payable is an estimate only, based on the number of shares on issue as at the date of this financial report. Due to the further on-market share buy-back announced by the Company on 14 December 2017, which commenced on 29 December 2017, there may be fewer shares on issue on the record date for the dividend than the number of shares on issue as at the date of this financial report. The final payable amount is based on number of shares on issue at the record date.

	Company	
	December 2017 $m	December 2016 $m
Dividend franking account		
Balance of the franking account, adjusted for franking credits / debits which arise from the payment / refund of income tax provided for in the financial statements	224.6	398.2

The impact of the 2017 final dividend, determined after the reporting date, on the dividend franking account will be a reduction of $104.2 million (2016: $86.1 million).

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24. EARNINGS PER SHARE

	12 months to December 2017	12 months to December 2016
Basic earnings per share	216.5¢	176.6¢
Diluted earnings per share	216.5¢	176.4¢
Profit / (loss) attributable to shareholders of the parent entity used in the calculation of basic and diluted earnings per share ($m)	702.1	580.3
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	324,254,097	328,649,980
Contingently issuable shares[1]	102,170	235,225
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	324,356,267	328,885,205

[1]Contingently issuable shares relate to share rights under plans disclosed in Note 36: Employee benefits.

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25. ASSOCIATES

The Group has the following investments in associates:

Name of entity	Principal activity	Country	Ownership interest December 2017 %	Ownership interest December 2016 %
Canberra Metro Holdings Trust[1]	Construction	Australia	30	30
Canberra Metro Holdings Pty Ltd[1]	Construction	Australia	30	30
Canberra Metro Pty Ltd	Construction	Australia	30	30
Dunsborough Lakes Village Syndicate[1]	Development	Australia	20	20
LCIP Co-Investment Unit Trust[2]	Investment	Australia	11	11
Macmahon Holdings Limited[1]	Construction, Contract Mining	Australia	-	21
Metro Trains Australia Pty Ltd[1]	Services	Australia	20	20
Metro Trains Melbourne Pty Ltd[1]	Services	Australia	20	20
Metro Trains Sydney Pty Ltd[1]	Services	Australia	20	20
On Talent Pty Ltd	Recruitment	Australia	30	30
Wellington Gateway General Partner No.1 Limited[2]	Investment	New Zealand	15	15

All associates have a statutory reporting date of 31 December with the following exceptions:

[1] *Entities have a 30 June statutory reporting date.*

[2] *The Group's investment was equity accounted as a result of the Group's active participation on the Board and the Group's ability to impact decision making, leading to the assessment that significant influence exists.*

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25. ASSOCIATES CONTINUED

The Group's share of associates' results, assets and liabilities are as follows:

	12 months to December 2017 $m	12 months to December 2016 $m
Revenue	478.1	1,318.0
Expenses	(460.7)	(1,285.7)
Earnings before interest and tax ("EBIT")	17.4	32.3
Finance income	0.5	0.5
Finance costs	(8.8)	(34.4)
Net finance income / (costs)	(8.3)	(33.9)
Profit / (loss) before tax	9.1	(1.6)
Income tax (expense) / benefit	(3.0)	(0.2)
Profit / (loss) for the period[1]	6.1	(1.8)

	December 2017 $m	December 2016 $m
Current assets	113.9	186.6
Non-current assets	182.3	134.7
Total assets	296.2	321.3
Current liabilities	90.4	102.7
Non-current liabilities	166.9	145.7
Total liabilities	257.3	248.4
Equity accounted associates at reporting date[1,2]	38.9	72.9

[1]*Results of HLG Contracting are included within results of associates until 1 December 2016 when joint control was obtained. Assets and liabilities of HLG Contracting as at 31 December 2016 and 31 December 2017 are included with those of other joint ventures and are disclosed within Note 26: Joint venture entities.*

[2] *The Group's shareholding in listed associates for which there are published quotations had a market value at reporting date of: $nil (31 December 2016: $24.7 million), as the Group disposed of its shareholding in Macmahon Holdings Limited during the reporting period.*

There were no impairments of equity accounted associates during the reporting period (31 December 2016: $nil).

In the opinion of the directors, there are no individually material associates as at 31 December 2017.

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26. JOINT VENTURE ENTITIES

The Group has the following joint venture entities:

Name of entity	Principal activity	Country	Ownership interest December 2017 %	Ownership interest December 2016 %
APM Group (Aust) Pty Ltd & Broad Construction Services (NSW/VIC) Pty Ltd[1]	Construction	Australia	-	50
Applemead Proprietary Limited	Development	Australia	-	50
Auckland Road Maintenance Alliance (West) Management JV[1]	Construction	New Zealand	-	50
Australian Terminal Operations Management Pty Ltd	Services	Australia	50	50
Bac Devco Pty Limited[1]	Development	Australia	-	33
Barclay Mowlem Thiess Joint Venture[1]	Construction	Australia	-	50
Canberra Metro Operations Pty Ltd	Services	Australia	50	50
City West Property Holding Trust (Section 63 Trust)	Development	Australia	50	50
City West Property Holdings Pty Limited	Development	Australia	50	50
City West Property Investment (No. 1) Trust	Development	Australia	50	50
City West Property Investment (No. 2) Trust	Development	Australia	50	50
City West Property Investment (No. 3) Trust	Development	Australia	50	50
City West Property Investment (No. 4) Trust	Development	Australia	50	50
City West Property Investment (No. 5) Trust	Development	Australia	50	50
City West Property Investment (No. 6) Trust	Development	Australia	50	50
City West Property Investments (No. 1) Pty Limited	Development	Australia	50	50
City West Property Investments (No. 2) Pty Limited	Development	Australia	50	50
City West Property Investments (No. 3) Pty Limited	Development	Australia	50	50
City West Property Investments (No. 4) Pty Limited	Development	Australia	50	50
City West Property Investments (No. 5) Pty Limited	Development	Australia	50	50
City West Property Investments (No. 6) Pty Limited	Development	Australia	50	50
Cockatoo Mining Pty Ltd[1]	Contract Mining	Australia	50	50
Doubleone 3 Unit Trust[1]	Development	Australia	-	50
Erskineville Residential Project Pty Ltd	Construction	Australia	50	50
Great Eastern Highway Upgrade	Construction	Australia	75	75
GSJV Guyana Inc[1]	Contract Mining	Guyana	50	50
GSJV Limited (Barbados)[1]	Contract Mining	Barbados	50	50
HLG Contracting LLC	Construction	United Arab Emirates	45	45
Kings Square No.4 Unit Trust	Development	Australia	50	50
Kings Square Pty Ltd	Development	Australia	50	50
LCS Employment Agency Ltd	Services	Macau	-	50
Leighton Abigroup Joint Venture[1]	Construction	Australia	50	50
Leighton BMD JV[1]	Construction	Australia	50	50

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26. JOINT VENTURE ENTITIES CONTINUED

Name of entity	Principal activity	Country	Ownership interest December 2017 %	Ownership interest December 2016 %
Leighton Construction India (Private) Limited[2]	Construction	India	-	50
Leighton Contractors & Baulderstone Hornibrook Bilfinger Berger Joint Venture[1]	Construction	Australia	-	50
Leighton Holland Browse JV[1]	Construction	Australia	-	50
Leighton Kumagai Joint Venture (MetroRail) [1]	Construction	Australia	55	55
Leighton Services UAE Co LLC	Services	United Arab Emirates	36	36
Leighton / Ngarda Joint Venture (LNJV) [1]	Construction	Australia	-	88
Leighton-Infra 13 Joint Venture[2]	Construction	India	50	50
Leighton OSE Joint Venture[2]	Construction	India	50	50
Majwe Mining Joint Venture (Proprietary) Limited	Contract Mining	Botswana	60	60
Manukau Motorway Extension[1]	Construction	New Zealand	50	50
Mode Apartments Pty Ltd	Development	Australia	30	30
Mode Apartments Unit Trust	Development	Australia	30	30
Moonee Ponds Pty Ltd	Development	Australia	50	50
Mosaic Apartments Holdings Pty Ltd[1]	Development	Australia	50	50
Mosaic Apartments Pty. Ltd[1]	Development	Australia	50	50
Mosaic Apartments Unit Trust	Development	Australia	50	50
MPEET Pty Ltd	Services	Australia	50	50
Mulba Mia Leighton Broad Joint Venture[1]	Construction	Australia	50	50
Naval Ship Management (Australia) Pty Ltd[2]	Services	Australia	50	50
New Future Alliance (SIHIP)	Construction	Australia	80	80
Ngarda Civil and Mining Pty Limited[1]	Contract Mining	Australia	50	50
Northern Gateway Alliance	Construction	New Zealand	50	50
RTL JV[1]	Mining	Australia	44	44
RTL Mining and Earthworks Pty Ltd[1]	Construction	Australia	44	44
S.A.N.T. (MGT-Holding) Pty Ltd	Construction	Australia	-	50
S.A.N.T. (Term-Holding) Pty Ltd	Construction	Australia	-	50
Sedgman Civmec Joint Venture[1]	Construction	Australia	50	50
SmartReo Pty Ltd	Construction	Australia	50	50
Southern Gateway Alliance (Mandurah)	Construction	Australia	69	69
Thiess Hochtief Joint Venture[1]	Construction	Australia	50	50
Thiess United Group Joint Venture[1]	Construction	Australia	50	50
Ventia Services Group Pty Limited	Services	Australia	47	47
Viridian Noosa Pty Ltd[1]	Development	Australia	50	50
Viridian Noosa Trust[1]	Development	Australia	50	50

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26. JOINT VENTURE ENTITIES CONTINUED

Name of entity	Principal activity	Country	Ownership interest December 2017 %	Ownership interest December 2016 %
Wallan Project Pty Ltd[1]	Investment	Australia	30	30
Wallan Project Trust[1]	Investment	Australia	30	30
Wedgewood Road Hallam No. 1 Pty Ltd	Development	Australia	50	50
Wellington Tunnels Alliance	Construction	New Zealand	-	50
Wrap Southbank Unit Trust	Development	Australia	-	50
WSO M7 Stage 3 JV	Construction	Australia	50	50

All joint venture entities have a statutory reporting date of 31 December with the following exceptions:
[1]*Entities have a 30 June statutory reporting date.*
[2]*Entities have a 31 March statutory reporting date.*

These entities have different statutory reporting dates to the Group as they are aligned with the joint venture partners' reporting date and / or the reporting date is prescribed by local statutory requirements.

Where the Group has an ownership interest in a joint venture entity greater than 50% but does not control the arrangement due to the existence of joint control, the joint venture is not consolidated.

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26. JOINT VENTURE ENTITIES CONTINUED

The Group's share of joint venture entities' results, assets and liabilities are as follows:

	12 months to December 2017 $m	12 months to December 2016 $m
Revenue	2,203.1	1,362.9
Expenses	(2,169.4)	(1,331.5)
Earnings before interest and tax ("EBIT")	33.7	31.4
Finance income	0.4	2.6
Finance costs	(70.1)	(48.1)
Net finance income / (costs)	(69.7)	(45.5)
Profit / (loss) before tax	(36.0)	(14.1)
Income tax (expense) / benefit	(20.0)	(28.1)
Profit / (loss) for the period[1]	(56.0)	(42.2)

	December 2017 $m	December 2016 $m
Current assets	2,086.2	2,143.7
Non-current assets	1,257.6	1,386.9
Total assets	3,343.8	3,530.6
Current liabilities	(1,837.1)	(1,968.3)
Non-current liabilities	(1,162.9)	(1,018.7)
Total liabilities	(3,000.0)	(2,987.0)
The Group's share of joint venture entities' net assets at reporting date[1,2]	343.8	543.6

[1] The Group disposed of its investment in Nextgen Group Holdings Pty Limited during the 2016 year for a profit of $70.1 million. Refer to Note 3: Expenses.

[2]Results of HLG Contracting are included within results of joint ventures from 1 December 2016 when joint control was obtained. Assets and liabilities of HLG Contracting as at 31 December 2016 and 31 December 2017 are included within both periods above.

There were no impairments of investments in joint ventures during the reporting period (31 December 2016: $nil).

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26. JOINT VENTURE ENTITIES CONTINUED

a) Material joint ventures

Set out below are the joint venture entities of the Group as at 31 December 2017 which, in the opinion of the directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

				Ownership interest held by the Company	
Name of entity	Place of business / country of incorporation	Measurement method	Nature of relationship	December 2017 %	December 2016 %
HLG Contracting LLC[1]	United Arab Emirates	Equity method	Joint venture	45	45

[1]*There is no quoted market value for HLG Contracting LLC as it is not a listed entity.*

HLG Contracting LLC ("HLG Contracting")

HLG Contracting's new shareholder structure agreed on 30 November 2016 is a step towards realising its long term strategic objectives in the region. This allows HLG Contracting to continue to deliver leading projects for clients. A strategic review of the HLG Contracting business is ongoing.

CIMIC continues to equity account for the investment. During the reporting period, the carrying value of the Group's investment in HLG Contracting decreased to $245.6 million from $366.5 million (equivalent to US$191.6 million at 31 December 2017 and US$263.9 million at 31 December 2016). The decrease was due to a foreign exchange translation loss of $28.2 million and the Group's share of equity accounted loss of $92.7 million for the period. The recoverable amount of the Group's investment was calculated using a value in use calculation.

The key assumptions used in the value in use calculation:

Discount rate	16% (31 December 2016: 15%)
Growth rate	3% (31 December 2016: 3%) for cash flows beyond five years. This rate does not exceed the expected long-term average growth rate for the Middle East & North Africa ("MENA") region
Legacy project receivables	There continues to be a delay in payment from clients in the MENA region, particularly for projects in progress at the time the Group invested in HLG Contracting. It is assumed of the remaining unprovided legacy project receivables, approximately half will be collected within the medium term and approximately half collected subsequently
Borrowings	Borrowings obtained to fund working capital will be progressively repaid during the forecast period
Forecast cash flow	The calculation uses five year cash flow projections based on forecasts provided by HLG Contracting's management, risk adjusted downward by the Group. Cash flows beyond five years are extrapolated using the estimated growth rate

Management considers that for the recoverable amount to fall below the carrying value there would have to be unreasonable changes to key assumptions. Management considers the likelihood of these changes occurring as unlikely.

Refer to Note 8: *Trade and other receivables* for further details relating to loans provided to HLG Contracting.

The Group continues to hold a call option to purchase the remaining 55% shareholding in HLG Contracting. This option has no current impact on the control of the company. As at 31 December 2017 the fair value of the call option was determined to be US$54.0 million (31 December 2016: US$54.0 million), equivalent to $69.2 million (31 December 2016: $75.0 million). In accordance with AASB 139 the option has been classified as a financial asset held at fair value through profit or loss. No gain or loss was recognised in the period.

During the period HLG Contracting entered into a new four-year syndicated loan facility to refinance existing borrowing facilities. CIMIC continues to gaurantee the HLG Contracting facilities with a secured and drawn amount of US$326.1 million as at 31 December 2017 (equivalent to $418.1 million) compared to US$239.7 million as at 31 December 2016 (equivalent to $332.9 million).

No amounts have been recognised in relation to these facilities at 31 December 2017 or 31 December 2016.

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for the 12 months to 31 December 2017

26. JOINT VENTURE ENTITIES CONTINUED

a) Material joint ventures continued

The following tables provide summarised financial information and reconciles the carrying amount of the Group's interest, and its share of profit or loss and other comprehensive income of its equity accounted investment in HLG Contracting.

Summarised profit or loss	12 months to December 2017 $m	12 months to December 2016 $m
Revenue	1,989.5	2,702.5
Depreciation and amortisation	(28.1)	(24.3)
Other expenses	(2,094.1)	(2,782.9)
Share of profit / (loss) of joint venture entities	2.0	1.2
Earnings before interest and tax ("EBIT")	(130.7)	(103.5)
Finance income	-	1.3
Finance costs	(75.4)	(82.7)
Net finance income / (costs)	(75.4)	(81.4)
Profit / (loss) before tax	(206.1)	(184.9)
Income tax (expense) / benefit	-	(2.6)
Profit / (loss) for the period	(206.1)	(187.5)
Other comprehensive income	-	-
Total comprehensive income	(206.1)	(187.5)
Group's ownership interest	45%	45%
Group's total share of:		
Profit / (loss) for the period	(92.7)	(84.4)
Other comprehensive income	-	-
Total comprehensive income[1]	(92.7)	(84.4)
Dividends received from HLG Contracting	-	-

[1]Results of HLG Contracting are included within results of joint ventures from 1 December 2016 when joint control was obtained. Assets and liabilities of HLG Contracting as at 31 December 2016 and 31 December 2017 are included within both periods above.

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for the 12 months to 31 December 2017

26. JOINT VENTURE ENTITIES CONTINUED

a) Material joint ventures continued

Summarised balance sheet	December 2017 $m	December 2016 $m
Current assets		
Cash and cash equivalents	96.8	223.4
Other current assets	3,713.8	3,742.4
Total current assets	3,810.6	3,965.8
Non-current assets	1,539.0	1,744.4
Total non-current assets	1,539.0	1,744.4
Current liabilities		
Financial liabilities (excluding trade payables)	(436.7)	(733.7)
Other current liabilities	(2,743.9)	(2,704.8)
Total current liabilities	(3,180.6)	(3,438.5)
Non-current liabilities		
Financial liabilities (excluding trade payables)	(1,312.6)	(1,130.8)
Other non-current liabilities	(310.6)	(326.4)
Total non-current liabilities	(1,623.2)	(1,457.2)
Net assets (100%)	545.8	814.5
Group's share of net assets (45%)	245.6	366.5

b) Individually immaterial joint ventures

The Group has interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

	December 2017 $m	December 2016 $m
Individually immaterial joint ventures		
Aggregate amounts of the Group's carrying value: Net assets	98.2	177.1
Aggregate amounts of the Group's share of profit: Profit / (loss) for the period	36.7	42.2

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27. JOINT OPERATIONS

The Group has the following interest in joint operations:

Name of arrangement	Principal activity	Country	Ownership interest December 2017 %	Ownership interest December 2016 %
Bacchus Marsh Joint Venture	Development	Australia	-	30
Baulderstone Leighton Joint Venture	Construction	Australia	50	50
Casey Fields[1]	Development	Australia	33	33
CH2 – UGL	Construction	Australia	50	50
China State - Leighton Joint Venture	Construction	Hong Kong	50	50
CHT Joint Venture	Construction	Australia	50	50
CPB & BMD JV	Construction	Australia	50	-
CPB & Bombardier JV	Construction	Australia	50	-
CPB & JHG JV	Construction	Australia	50	-
CPB Black & Veatch Joint Venture[1]	Construction	Australia	50	50
CPB Dragados Samsung Joint Venture (formerly known as Leighton Dragados Samsung Joint Venture)	Construction	Australia	40	40
CPB John Holland Dragados Joint Venture (formerly known as Thiess John Holland Dragados Joint Venture)	Construction	Australia	50	50
CPB Samsung John Holland Joint Venture (formerly known as Leighton Samsung John Holland Joint Venture)	Construction	Australia	33	33
CPB Southbase JV	Construction	New Zealand	75	-
Erskineville Residential Project	Development	Australia	50	50
EV LNG Australia Pty Ltd & Thiess Pty Ltd (EVT JV)	Construction	Australia	50	50
Gammon - Leighton Joint Venture	Construction	Hong Kong	50	50
Gateway WA	Construction	Australia	68	68
Henry Road Edenbrook Joint Venture[1]	Development	Australia	30	30
HYLC Joint Venture[1]	Construction	Australia	50	50
JHCPB JV	Construction	Australia	50	50
JH & CPB & GHELLA JV	Construction	Australia	45	-
John Holland – Leighton (South East Asia) Joint Venture	Services	Hong Kong	50	50
John Holland Pty Ltd, UGL Engineering Pty Ltd and GHD Pty Ltd trading as Malabar Alliance	Construction	Australia	50	50
Leighton - China State Joint Venture	Construction	Hong Kong	51	51
Leighton - China State Joint Venture	Construction	Hong Kong	51	51
Leighton - China State - Van Oord Joint Venture	Construction	Hong Kong	45	45
Leighton - Chun Wo Joint Venture	Construction	Hong Kong	84	84
Leighton - Chun Wo Joint Venture	Construction	Hong Kong	60	60
Leighton - Chun Wo Joint Venture	Construction	Hong Kong	70	-
Leighton China State John Holland Joint Venture (City of Dreams)[1]	Construction	Macau	40	40

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27. JOINT OPERATIONS CONTINUED

Name of arrangement	Principal activity	Country	Ownership interest December 2017 %	Ownership interest December 2016 %
Leighton China State Joint Venture (Wynn Resort)[1]	Construction	Macau	50	50
Leighton - Gammon Joint Venture	Construction	Hong Kong	50	50
Leighton - HEB Joint Venture	Construction	New Zealand	80	80
Leighton Abigroup Consortium (Epping to Thornleigh)	Construction	Australia	50	50
Leighton Contractors Downer Joint Venture[1]	Construction	Australia	50	50
Leighton Fulton Hogan Joint Venture (Sapphire to Woolgoolga)[1]	Construction	Australia	50	50
Leighton Fulton Hogan Joint Venture (SH16 Causeway Upgrade)	Construction	New Zealand	50	50
Leighton John Holland Joint Venture (Thomson Line)	Construction	Singapore	50	50
Leighton Offshore - John Holland Joint Venture (LTA Project)	Construction	Singapore	-	50
Leighton M&E - Southa Joint Venture	Construction	Hong Kong	50	50
Leighton York Joint Venture	Construction	Australia	75	75
Leighton - Able Joint Venture	Construction	Hong Kong	51	51
Leighton - Chubb E&M Joint Venture	Construction	Hong Kong	50	50
Leighton - John Holland Joint Venture	Construction	Hong Kong	55	55
Leighton - John Holland Joint Venture (Lai Chi Kok)	Construction	Hong Kong	51	51
Leighton - Total Joint Operation	Construction	Indonesia	67	67
LLECPB Crossing Removal JV	Construction	Australia	50	50
Metropolitan Road Improvement Alliance (formerly Building Roe 8)	Construction	Australia	71	71
Murray & Roberts Marine Malaysia - Leighton Contractors Malaysia Joint Venture[1]	Construction	Malaysia	50	50
N.V. Besix S.A. & Thiess Pty Ltd (Best JV)	Construction	Australia	50	50
NRT - Design & Delivery JV	Construction	Australia	25	25
NRT - Infrastructure Joint Venture	Construction	Australia	50	50
NRT Systems JV	Services	Australia	40	40
OWP Joint Venture	Services	Australia	50	50
Rizzani Leighton Joint Venture	Construction	Australia	50	50
Swietelsky CPB Rail Joint Venture (formerly known as Leighton Swietelsky Joint Venture)[1]	Services	Australia	50	50
Task Joint Venture (Thiess & Sinclair Knight Merz)	Construction	Australia	60	60
Thiess Balfour Beatty Joint Venture	Construction	Australia	67	67
Thiess Decmil Kentz Joint Venture[1]	Construction	Australia	-	33
Thiess Degremont JV	Construction	Australia	65	65
Thiess Degremont Nacap Joint Venture[1]	Construction	Australia	33	33
Thiess MacDow Joint Venture[1]	Construction	Australia	50	50
Thiess John Holland Joint Venture (Airport Link)	Construction	Australia	50	50
Thiess John Holland Joint Venture (Eastlink)	Construction	Australia	50	50

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27. JOINT OPERATIONS CONTINUED

			Ownership interest	
Name of arrangement	Principal activity	Country	December 2017 %	December 2016 %
Thiess KMC JV	Contract Mining	Canada	51	51
Thiess Wirlu-Murra Joint Venture	Contract Mining	Australia	50	50
UGL Cape	Services	Australia	50	50
UGL Kentz	Construction	Australia	50	50
Veolia Water - Leighton- John Holland Joint Venture	Construction	Hong Kong	24	24

All joint operations have a reporting date of 31 December with the following exceptions:

[1] Arrangements have a 30 June reporting date. These entities have different statutory reporting dates to the Group as they are aligned with the joint operations partners' reporting date and / or the reporting date is prescribed by local statutory requirements.

Notes to the Consolidated Financial Statements

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28. NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of profit / (loss) for the year to net cash from operating activities

	12 months to December 2017 $m	12 months to December 2016 $m
Profit / (loss) for the year	690.6	552.4
Adjustments for:		
- Depreciation of property, plant and equipment	463.7	304.9
- Amortisation of intangibles	47.6	32.5
- Net (gain) / loss on disposal of equity accounted investments	-	(70.1)
- Net (gain) / loss on acquisition of controlled entities	-	(46.6)
- Net (gain) / loss on fair value of investments	(36.6)	-
- Net (gain) / loss on sale of assets	(12.9)	1.4
- Impairment of intangibles	8.0	10.0
- Foreign exchange losses	(0.6)	1.3
- Net amounts set aside to provisions	227.2	202.7
- Share of (profits)/ losses of associates	(6.1)	5.3
- Share based payments	(2.5)	1.0
- Net (gain) / loss on fair value of option to acquire shares	-	(75.0)
Net changes in assets / liabilities:		
- Decrease / (increase) in receivables	(149.7)	(161.3)
- Decrease / (increase) in joint ventures	180.1	305.8
- Decrease / (increase) in inventories	(4.2)	203.3
- Increase / (decrease) in payables	49.6	(42.7)
- Increase / (decrease) in provisions	(247.9)	(271.2)
- Current and deferred income tax movement	156.1	173.3
Net cash from operating activities	1,362.4	1,127.0

b) Reconciliation of liabilities arising from financing activities

	December 2016 $m	Cash flows $m	Non – cash changes				December 2017 $m
			Acquisition	Disposal	Amortisation of borrowing costs	Foreign Exchange Movement	
Interest bearing loans	877.1	31.9	-	-	1.2	(53.4)	856.8
Finance lease liabilities	22.8	(21.2)	-	-	-	(1.6)	-
Interest bearing liabilities – limited recourse loans	267.3	(220.8)	-	-	-	0.1	46.6
Total liabilities from financing activities	1,167.2	(210.1)	-	-	1.2	(54.9)	903.4

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29. ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES AND BUSINESSES

2017 Acquisitions

Bacchus Marsh JV

On 6 July 2017, Townsville City Project Trust acquired an unincorporated joint operation which is a planned residential land development project located in Bacchus Marsh Victoria. Townsville City Project Trust is 50% owned by Leighton Properties Pty Ltd and 50% by Devine Limited, controlled entities of CIMIC Group.

Devine Limited held a 50% interest in the previous unincorporated joint operation. Devine Limited's interest in the joint operation is unchanged via a 50% interest in the acquiring company Townsville City Project Trust but the CIMIC Group interest has increased from 50% to 100% interest in the joint operation. The purchase consideration was $21.3 million cash with deferred consideration of $9.2 million.

The acquisition has been accounted for under AASB 3 Business Combinations.

The contribution by the acquired joint operation to the Group from the acquisition date to the end of the period ended 31 December 2017 was immaterial. Had the acquisition occurred on 1 January 2017, the acquired joint operation's contribution to the Group for the year ended 31 December 2017 would have been immaterial. The business is now reported within the Corporate segment (refer to Note 31*: Segment information*), as such it is not possible to assess the contribution of the business to profit for the year.

2016 Acquisitions

UGL

On 10 October 2016, CIMIC Group Investments No.2 Pty Limited (CGI2), a controlled entity within the Group, became a substantial shareholder in UGL, an entity formerly listed on the ASX, by acquiring an interest of 13.84% of shares on issue. On obtaining the initial interest CIMIC announced a final unconditional offer for the remaining shares pursuant to a takeover at a price of $3.15 per share.

On 24 November 2016, CGI2's ownership interest in UGL increased to over 50% and thereby gained control. The results of UGL were consolidated from this date. CGI2 subsequently increased its ownership interest in UGL to 100%, which was completed on 20 January 2017.

Details of the business combination were disclosed in Note 29*: Acquisitions and disposals of controlled entities and businesses* in the Group's annual financial statements for the year ended 31 December 2016.

The Group's 2016 annual financial statements included provisional fair values for assets and liabilities acquired in the business combination. Accounting for the business combination is now complete, and the 31 December 2016 comparative information has been restated retrospectively to increase the fair value of trade and other payables at the acquisition date by $60.0 million, increase deferred tax assets by $18.0 million, and increase goodwill and equity reserve each by $21.0 million.

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29. ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES AND BUSINESSES CONTINUED

Sedgman

On 23 February 2016, CIMIC Group Investments Pty Ltd, a controlled entity of the Company, increased its ownership interest in Sedgman, an entity formerly listed on the ASX, to 51% and thereby gained control of Sedgman. The acquisition of Sedgman shares was made under an unconditional off-market takeover offer for Sedgman shares. CIMIC Group Investments Pty Ltd subsequently increased its ownership interest in Sedgman to 90% and exercised its right to compulsorily acquire the remaining shares in Sedgman, which was completed on 13 April 2016.

The revaluation of CIMIC's previously held investment to fair value resulted in a gain on remeasurement of $25.4 million in the 6 months to 30 June 2016. In addition the associates reserve of $21.2 million was recycled from equity to profit and loss, resulting in a total gain on acquisition before tax of $46.6 million in the 6 months to 30 June 2016 (refer to N*ote 3: Expenses*).

Details of the business combination were disclosed in Note 29: *Acquisitions and disposals of controlled entities and businesses* in the Group's annual financial statements for the year ended 31 December 2016. The fair values of assets and liabilities recognised as a result of the business combination have been finalised with no adjustments made from the values previously disclosed.

Disposals

There were no disposals of controlled entities or businesses during the 12 months to 31 December 2017 (31 December 2016: $nil).

30. HELD FOR SALE

Assets and liabilities held for sale include marine fleet of $31.2 million (31 December 2016: $37.2 million), development properties of $0.9 million (31 December 2016: $3.6 million), plant & equipment of $0.1 million (31 December 2016: $nil), and mining equipment of $nil (31 December 2016: $6.9 million) actively marketed for sale.

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31. SEGMENT INFORMATION

Description of segments

Operating segments have been identified based on separate financial information that is regularly reviewed by the CIMIC CEO, who is also the Chief Operating Decision Maker ("CODM"). The CIMIC Group is structured on a decentralised basis comprising the following main segments and a corporate head office:

- Construction
- Mining & Mineral Processing
- Services
- HLG
- Public Private Partnerships ("PPPs")
- Engineering
- Commercial & Residential
- Corporate

The performance of each segment forms the primary basis for all management reporting to the CODM.

The Commercial and Residential segment does not meet the size threshold of a reportable segment at 31 December 2017. The 2016 comparatives have been restated to include the results of the Commercial and Residential segment within the Corporate segment results. Consistent with prior years, PPPs and Engineering segments are also included within the Corporate segment results.

The types of activities from which segments derive revenue, are included in Note 2: *Revenue*. The Group's share of revenue from associates and joint ventures is included in the revenue reported for each applicable operating segment. Performance is measured based on segment result. The corporate segment represents the corporate head office and includes transactions relating to Group finance, taxation, treasury, corporate secretarial and certain strategic investments. Included within the corporate segment disclosed are the results of the non-reportable segments.

Geographical information

	Revenue		Non-current assets	
Geographical information	12 months to December 2017 $m	12 months to December 2016 $m	December 2017 $m	December 2016 $m
Australia Pacific	10,053.8	7,339.9	1,203.5	1,288.2
Asia, Middle East, Americas & Africa	3,375.7	3,513.7	1,277.8	1,360.3
Total	13,429.5	10,853.6	2,481.3	2,648.5

Revenue is allocated based on the geographical location of the entity generating the revenue. Assets are allocated based on the geographical location of the assets. Geographical non-current assets comprise: inventories; development properties; property, plant and equipment; and intangibles.

Major customers

No revenue from transactions with a single external customer amount to 10% or more of the Group's revenue.

Notes to the Consolidated Financial Statements

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31. SEGMENT INFORMATION CONTINUED

12 months to December 2017	Construction $m	Mining & Mineral Processing $m	Services $m	HLG $m	Corporate $m	Eliminations $m	Total $m
Revenue							
Segment revenue	7,611.1	3,312.0	2,983.0	902.1	1,303.1	(0.6)	16,110.7
Inter-segment revenue	(0.6)	-	-	-	-	0.6	-
Segment associates and joint venture revenue	(11.4)	(147.6)	(375.8)	(902.1)	(1,244.3)	-	(2,681.2)
Revenue	7,599.1	3,164.4	2,607.2	-	58.8	-	13,429.5
Result							
Segment EBIT	626.5	352.4	166.0	(91.7)	(50.8)	-	1,002.4
Net finance income / (costs)	(2.8)	(13.6)	(1.2)	43.7	(69.3)	-	(43.2)
Segment result	623.7	338.8	164.8	(48.0)	(120.1)	-	959.2
Income tax (expense) / benefit							(268.6)
Profit / (loss) for the year							690.6
(Profit) / loss for the year attributable to non-controlling interests							11.5
Profit / (loss) for the year attributable to shareholders of the parent entity							702.1
Other							
Share of profit / (loss) of associates and joint venture entities	(0.6)	9.7	10.2	(90.7)	21.5	-	(49.9)
Depreciation & amortisation	(156.9)	(314.5)	(35.0)	-	(4.9)	-	(511.3)
Other material non-cash income / (expenses)	-	-	-	-	30.1	-	30.1

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31. SEGMENT INFORMATION CONTINUED

12 months to December 2016	Construction $m	Mining & Mineral Processing $m	Services $m	HLG $m	Corporate $m	Eliminations $m	Total $m
Revenue							
Segment revenue	7,439.4	2,947.0	231.7	1,227.1	1,791.5	(102.2)	13,534.5
Inter-segment revenue	(102.2)	-	-	-	-	102.2	-
Segment associates and joint venture revenue	(20.4)	(160.8)	(27.5)	(1,227.1)	(1,245.1)	-	(2,680.9)
Revenue	7,316.8	2,786.2	204.2	-	546.4	-	10,853.6
Result							
Segment EBIT	591.9	284.8	10.6	(6.5)	(122.4)	-	758.4
Net finance income / (costs)	3.6	(9.2)	(2.0)	35.9	(46.3)	-	(18.0)
Segment result	595.5	275.6	8.6	29.4	(168.7)	-	740.4
Income tax (expense) / benefit							(188.0)
Profit / (loss) for the year							552.4
(Profit) / loss for the year attributable to non-controlling interests							27.9
Profit / (loss) for the year attributable to shareholders of the parent entity							580.3
Other							
Share of profit / (loss) of associates and joint venture entities	(11.6)	0.7	(0.1)	(81.1)	48.1	-	(44.0)
Depreciation & amortisation	(88.6)	(244.6)	(2.3)	-	(1.9)	-	(337.4)
Other material non-cash income / (expenses)	-	-	-	75.0	36.6	-	111.6

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32. COMMITMENTS

	December 2017 $m	December 2016 $m
Expenditure commitments in relation to operating leases contracted at the reporting date but not recognised as liabilities, are payable as follows:		
- within one year	286.2	257.5
- later than one year but not later than five years	531.8	497.9
- later than five years	179.1	242.6
Total	997.1	998.0
Representing:		
Cancellable operating leases		
Plant and equipment	29.8	6.1
Property	16.4	22.4
Other	0.1	0.1
Non-cancellable operating leases		
Plant and equipment		
- within one year	144.6	121.7
- later than one year but not later than five years	191.0	151.0
- later than five years	-	-
Property		
- within one year	113.9	116.2
- later than one year but not later than five years	321.4	340.9
- later than five years	179.1	238.2
Other		
- within one year	0.8	0.9
- later than one year but not later than five years	-	0.5
- later than five years	-	-
Total operating lease commitments	997.1	998.0

Operating leases

The Group leases plant and equipment used in mining and mineral processing, construction and services activities. Operating leases generally provide the Group with a right of renewal. Under certain property operating leases, contingent rentals may be payable for periodic rent reviews. The Group's leasing arrangements impose no restrictions on any of its financial arrangements.

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32. COMMITMENTS CONTINUED

Capital commitments

Capital expenditure contracted for at reporting date but not recognised as liabilities is as follows:

	December 2017 $m	December 2016 $m
Property, plant and equipment		
Payable:		
- within one year	120.1	80.9
- later than one year but not later than five years	13.0	-
- later than five years	-	-
Total	133.1	80.9
Investments		
Payable:		
- within one year	15.5	15.5
- later than one year but not later than five years	-	-
- later than five years	-	-
Total	15.5	15.5
Share of Joint Ventures' commitments - property, plant and equipment		
Payable:		
- within one year	7.1	3.4
- later than one year but not later than five years	-	-
- later than five years	-	-
Total	7.1	3.4
Share of Associates' commitments - property, plant and equipment		
Payable:		
- within one year	0.8	3.5
- later than one year but not later than five years	-	-
- later than five years	-	-
Total	0.8	3.5

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33. CONTINGENT LIABILITIES

Bank guarantees, insurance bonds and letters of credit

Indemnities given by third parties on behalf of controlled entities and equity accounted investments are as follows:

	December 2017 $m	December 2016 $m
Bank guarantees	2,411.3	2,815.8
Insurance, performance and payment bonds	1,077.5	958.2
Letters of credit	106.9	193.6

Included in the table above are amounts where the Group has indemnified bank guarantees and performance and payment bonds in respect of all of the Group's joint ventures and associates in the normal course of business totalling $620.9 million (31 December 2016: $1,014.4 million).

Other contingencies

i) The Company is called upon to give, in the ordinary course of business, guarantees and indemnities in respect of the performance by controlled entities, associates and related parties of their contractual and financial obligations. The value of these guarantees and indemnities is indeterminable in amount.

ii) There exists in some entities within the Group the normal design liability in relation to completed design and construction projects.

iii) Certain entities within the Group have the normal contractor's liability in relation to construction contracts. This liability may include litigation by or against the Group and / or joint arrangements in which the Group has an interest. It is not possible to estimate the financial effect of these claims should they be successful. The Directors are of the opinion that adequate allowance has been made and that disclosure of any further information about the claims would be prejudicial to the interests of the Group.

iv) Controlled entities have entered into joint arrangements under which the controlled entity may be jointly and severally liable for the liabilities of the joint arrangement.

v) Under the terms of the Class Order described in Note 38: *CIMIC Group Limited and controlled entities*, the Company has entered into approved deeds of indemnity for the cross-guarantee of liabilities with participating Australian subsidiary companies.

vi) On 13 February 2012, the Company announced to the ASX that it had reported to the Australian Federal Police ("AFP") a possible breach by employees within the Leighton International business of its Code of Ethics that, if substantiated, may have contravened Australian laws. The AFP is investigating the CIMIC Group's international operations.

In November 2013, ASIC made public statements about its cooperation with the AFP in the AFP's investigation. On 28 March 2014, ASIC informed the Senate Estimates Committee that it had commenced a formal investigation into potential breaches of the Corporations Act relating to a number of matters being investigated by the AFP. ASIC has now advised CIMIC that its investigation has concluded and it will take no further action.

The Company is cooperating with the AFP investigation. The Company does not know when the investigation will be concluded.

vii) On 7 October 2013, the Company announced to the ASX that it had been made aware of proceedings relating to an alleged failure to disclose the report to the AFP (referred to in (vi) above) which had commenced on 4 October 2013. On 14 April 2015 the proceedings were stayed by the Victorian Supreme Court and on 7 September 2015 the Victorian Court of Appeal dismissed the plaintiff's appeal of that decision and permanently stayed the proceedings. In any event, the plaintiff has in the interim commenced nearly identical proceedings in relation to the same subject matter. The Company continues to deny the claim. On 23 July 2017 the plaintiff filed a notice seeking to discontinue the proceeding. The discontinuance is subject to Court approval.

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33. CONTINGENT LIABILITIES CONTINUED

Other contingencies continued

viii) On 6 December 2016, the Company announced to the ASX that it had been made aware of additional proceedings relating to an alleged failure to disclose the report to the AFP (referred to in (vi) above) which had commenced on 23 November 2016. The additional proceedings purport to be for the same class as the proceedings in (vii) above and in relation to similar issues. The Company denies the claim and will defend the proceedings.

ix) On 24 June 2015 the Senate of the Parliament of the Commonwealth of Australia referred an inquiry into foreign bribery to the Senate Economics References Committee. The inquiry lapsed at the proroguing of the 44th Parliament. On 11 October 2016, the Senate readopted the inquiry. The Committee is to report by 7 February 2018. The Company anticipates that the matter referred to in (vi) above will be a subject of the inquiry.

x) On 20 December 2017, the Company announced to the ASX that it had been made aware of additional proceedings relating to an alleged failure by UGL to disclose its true financial position in the period 8 August – 5 November 2014 (prior to the purchase of UGL by the Company). The Company denies the claim and will defend the proceedings.

34. CAPITAL RISK MANAGEMENT

Capital planning forms part of the business and strategic plans of the Group. Decisions relating to obtaining and investing capital are made following consideration of the Group's key financial objectives including total shareholder return and the maintenance of an investment grade credit rating. Performance measures include return on revenue, return on equity, earnings growth, liquidity and borrowing capacity. The Group has access to numerous sources of capital both domestically and internationally, including cash balances, equity, bank debt, capital markets, insurance and lease facilities. The Group is not subject to any externally imposed capital requirements.

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35. FINANCIAL INSTRUMENTS

The activities of the Group result in exposure to credit, liquidity and market risk (equity price, foreign currency and interest rate).

a) Credit risk

Credit risk represents the risk that a counterparty will not complete its obligations under a financial instrument resulting in a financial loss to the Group. The Group has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. The Group minimises concentrations of credit risk by undertaking transactions with a large number of customers in various countries. Derivative and deposit counterparties are limited to investment grade financial institutions. At the reporting date, other than the trade receivables relating to the Gorgon LNG Jetty and Marine Structures Project, and the loan receivables from HLG Contracting (refer to Note 8: *Trade and other receivables*), there were no other significant concentrations of credit risk. The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position. The Group's maximum exposure to credit risk for receivables at the reporting date by geographic region was: Australia Pacific $1,262.4 million (31 December 2016: $1,145.6 million) and Asia, Middle East, Americas & Africa $3,045.3 million (31 December 2016: $3,299.8 million).

The ageing of the Group's receivables at the reporting date was: not past due: $314.0 million (31 December 2016: $564.1 million); past due: $264.9 million (31 December 2016: $353.5 million). Past due is defined under AASB 7 *Financial Instruments: Disclosures* to mean any amount outstanding for one or more days after the contractual due date. Past due receivables aged greater than 90 days: 6% (31 December 2016: 8%).

Provision for impairment of trade debtors	12 months to December 2017 $m	12 months to December 2016 $m
Balance at beginning of reporting period	(1.9)	(5.4)
Net provision (made) / used	-	3.5
Balance at reporting date	(1.9)	(1.9)

The impairment provision relates to trade debtors identified as being impaired. The Group did not obtain financial or non-financial assets as collateral during the period as a result of default by a counterparty (31 December 2016: $nil).

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for the 12 months to 31 December 2017

35. FINANCIAL INSTRUMENTS CONTINUED

b) Liquidity risk

Liquidity risk is the risk of having insufficient funds to settle financial liabilities when they fall due. This includes having insufficient levels of committed credit facilities. The Group's objective is to maintain efficient use of cash and debt facilities in order to balance the cost of borrowing and ensuring sufficient availability of credit facilities, to meet forecast capital requirements. The Group adopts a prudent approach to cash management which ensures sufficient levels of cash and committed credit facilities are maintained to meet working capital requirements. Liquidity is reviewed continually by the Group's treasury departments through daily cash monitoring, review of available credit facilities and forecasting and matching of cash flows.

At 31 December 2017 the Group had undrawn bank facilities of $2,531.0 million (31 December 2016: $1,686.4 million), and undrawn guarantee facilities of $875.0 million (31 December 2016: $546.3 million).

Contractual maturities of financial liabilities and cash flow hedge contracts as at 31 December 2017:

December 2017	Carrying amount $m	Contractual cash flows $m	Less than 1 year $m	1-5 years $m	More than 5 years $m
Non-derivative financial liabilities					
Interest bearing loans	856.8	(980.8)	(251.8)	(729.0)	-
Finance lease liabilities	-	-	-	-	-
Limited recourse loans	46.6	(47.0)	(47.0)	-	-
Total interest bearing liabilities[1]	903.4	(1,027.8)	(298.8)	(729.0)	-
Trade and other payables	(4,887.2)	(4,887.2)	(4,735.5)	(151.7)	-
Derivative financial liabilities / (assets)					
Forward exchange contracts used for foreign currency hedging:					
Net derivative financial liabilities / (assets)[2]	(2.2)				
Inflow		128.9	127.4	1.5	-
Outflow		(133.6)	(118.7)	(14.9)	-
Other cashflow hedges:					
Net derivative financial (assets)	(7.1)				
Inflow		5.2	5.2	-	-
Outflow		-	-	-	-
Total net derivative financial liabilities / (assets)	(9.3)	0.5	13.9	(13.4)	-

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for the 12 months to 31 December 2017

35. FINANCIAL INSTRUMENTS CONTINUED

b) Liquidity risk continued

Contractual maturities of financial liabilities and cash flow hedge contracts as at 31 December 2016:

December 2016	Carrying amount $m	Contractual cash flows $m	Less than 1 year $m	1-5 years $m	More than 5 years $m
Non-derivative financial liabilities					
Interest bearing loans	877.1	(996.5)	(373.2)	(327.1)	(296.2)
Finance lease liabilities	22.8	(23.4)	(23.4)	-	
Limited recourse loans	267.3	(268.3)	(18.3)	(250.0)	-
Total interest bearing liabilities	1,167.2	(1,288.2)	(414.9)	(577.1)	(296.2)
Trade and other payables[1]	(5,063.5)	(5,063.5)	(4,776.9)	(286.6)	-
Derivative financial liabilities / (assets)					
Forward exchange contracts used for foreign currency hedging:					
Net derivative financial liabilities / (assets)[2]	3.0				
Inflow		128.3	121.6	6.7	-
Outflow		(131.9)	(125.0)	(6.9)	-
Other cashflow hedges:					
Net derivative financial (assets)	(15.7)				
Inflow		1.3	0.9	0.4	-
Outflow		(16.0)	-	(16.0)	-
Total net derivative financial liabilities / (assets)	(12.7)	(18.3)	(2.5)	(15.8)	-

[1] Amounts have been restated at December 2016 due to the finalisation of the purchase price allocation on the UGL acquisition as set out in Note 29: Acquisitions and disposals of controlled entities and businesses.

[2] Net derivative financial liabilities / (assets) relating to foreign currency hedging includes $4.4 million (31 December 2016: $4.6 million) of derivatives in an asset position and $2.2 million (31 December 2016: $1.6 million) of derivatives in a liability position.

Guarantees

Guarantees have not been included in the maturity analysis for financial liabilities above. Guarantees provided to joint ventures, with a carrying value of $nil (31 December 2016: $nil), are disclosed in Note 26: *Joint venture entities*.

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35. FINANCIAL INSTRUMENTS CONTINUED

c) Equity price risk

Equity price risk is the risk that the fair value of either a listed or unlisted equity investment, derivative equity instrument, or a portfolio of such financial instruments decreases in the future. The Group invests in equity investments through its participation in major PPP infrastructure projects. Investments may also be made as part of its strategic plans to form alliances or to invest in specialised but complementary businesses to access specialised skills, markets, or additional capacity. Equity investments are not made for trading or speculative purposes.

Fair values
For the fair values of listed and unlisted investments and derivative equity instruments, see section (f) of this note.

Sensitivity analysis of listed and unlisted investments
The price risk for the listed and unlisted securities is immaterial in terms of the possible impact on profit or loss or total equity.

d) Foreign currency risk

Foreign currency risk is the risk that the value of a financial commitment, a recognised asset or liability will fluctuate due to changes in foreign currency rates. The Group's foreign currency risk arises primarily from net investments in foreign operations. The Group uses non-derivative financial instruments, such as borrowings in the foreign currencies, to hedge its investments in foreign operations. Foreign currency gains and losses arising from translation of net investments in foreign operations are recognised in the foreign currency translation reserve until realised.

Shareholders of the Group are exposed to foreign currency risk on project receipts and expenditure on plant and equipment denominated in currencies other than their functional currency. Where this foreign currency risk is considered to be significant, shareholders of the Group enter into forward exchange contracts to hedge their foreign currency risk. These hedges are classified as cash flow hedges and measured at fair value.

Cash flow hedges
The Group's cash flow hedges protect against foreign exchange rate fluctuations on highly probable forecast transactions using foreign exchange forward contracts. As at reporting date the fair value of these outstanding designated derivatives recognised in equity is $2.0 million (31 December 2016: $1.0 million). It is expected that the current hedged forecast transactions will occur during the periods outlined in section (b) above and will affect the statement of profit or loss in the same periods. There are no gains or losses recognised in the statement of profit or loss during the period due to hedge ineffectiveness.

Exposure to foreign currency risk
The most significant foreign currencies the Group is exposed to is the United States dollar (US$) along with the U.A.E Dirham (AED) and Hong Kong dollar (HKD), both of which are pegged to the US$. The applicable Australian dollar to United States dollar exchange rates during or at the end of the relevant reporting period, were as follows:

	Assets and liabilities		Statement of Profit or Loss	
	December 2017	December 2016	12 months to December 2017	12 months to December 2016
US$ United States dollar	0.78	0.72	0.76	0.74

At 31 December 2017, the share of the Group's assets and liabilities denominated in US$ was: assets US$4,238.3 million (31 December 2016: US$4,318.4 million); liabilities US$1,795.6 million (31 December 2016: US$1,473.1 million). The majority of these US$ balances are held in entities with a US$ functional currency.

Sensitivity analysis
A movement in the United States dollar (US$) against the Australian dollar (AU$) at reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for the period ended 31 December 2016.

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35. FINANCIAL INSTRUMENTS CONTINUED

	Equity		Statement of Profit or Loss	
	December 2017 $m	December 2016 $m	12 months to December 2017 $m	12 months to December 2016 $m
US$ depreciates by 5% against AU$ (AU$ appreciates)	(144.3)	(159.6)	2.1	(2.1)
US$ appreciates by 5% against AU$ (AU$ depreciates)	144.3	159.6	1.9	2.1

e) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in the market interest rates. The Group uses derivative financial instruments to assist in managing its interest rate exposure. Speculative trading is not undertaken. The Group's interest rate risk arises from the interest receivable on *'Cash and cash equivalents'* and interest payable on *'Interest bearing loans'*.

At the reporting date it is estimated that an increase of one percentage point in floating interest rates would have increased the Group's profit after tax and retained earnings by $14.9 million (31 December 2016: increased by $8.3 million). A one percentage point decrease in interest rates would have an equal and opposite effect.

Profile
At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	December 2017 $m	December 2016 $m
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(506.8)	(773.3)
Total fixed rate instruments	(506.8)	(773.3)
Variable rate instruments		
Financial assets	1,813.8	1,576.5
Financial liabilities	(396.6)	(393.9)
Total variable rate instruments	1,417.2	1,182.6

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35. FINANCIAL INSTRUMENTS CONTINUED

f) Net fair values of financial assets and liabilities

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the fair value hierarchy. The fair values of financial assets and liabilities held at fair value have been determined based on either the listed price or the net present value of cash flows using current market rates of interest. The carrying amounts of other financial assets and liabilities in the Group's balance sheet approximate fair values.

The table below analyses other financial instruments carried at fair value, listed in order of valuation method. The different levels have been identified as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: inputs for the asset or liability that are not based on observable market data.

31 December 2017	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
Equity and stapled securities available-for-sale				
- Listed investments	1.5	-	-	1.5
- Unlisted investments	-	-	5.8	5.8
Financial assets at fair value through profit or loss				
- Unlisted investments	-	-	92.7	92.7
- Option to acquire shares	-	-	69.2	69.2
Derivatives	-	11.5	-	11.5
Total assets	1.5	11.5	167.7	180.7
Liabilities				
Derivatives	-	(2.2)	-	(2.2)
Total liabilities	-	(2.2)	-	(2.2)

31 December 2016	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
Equity and stapled securities available-for-sale				
- Listed investments	1.9	-	-	1.9
- Unlisted investments	-	-	5.4	5.4
Financial assets at fair value through profit or loss				
- Unlisted investments	-	-	53.1	53.1
- Option to acquire shares	-	-	75.0	75.0
Derivatives	-	17.3	-	17.3
Total assets	1.9	17.3	133.5	152.7
Liabilities				
Derivatives	-	(4.6)	-	(4.6)
Total liabilities	-	(4.6)	-	(4.6)

Notes to the Consolidated Financial Statements

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35. FINANCIAL INSTRUMENTS CONTINUED

f) Net fair values of financial assets and liabilities continued

Fair value hierarchy continued

During the period there were no transfers between Level 1, Level 2 and Level 3 fair value hierarchies. Level 3 instruments comprise unlisted equity and stapled securities and unlisted financial assets at fair value through profit and loss; the determination of the fair value of these securities is discussed below. The tables below analyse the changes in Level 3 instruments as follows:

	12 months to December 2017 $m	12 months to December 2016 $m
Unlisted equity and stapled securities available-for-sale		
Balance at beginning of reporting period	7.3	73.9
Acquisitions	-	0.7
Additions	0.8	-
Transfers[1]	-	4.6
Disposals	(0.8)	(71.8)
Gains/(losses) recognised in other comprehensive income	-	-
Balance at reporting date	7.3	7.3

[1] *Transfers from equity accounted investments following loss of significant influence in LCIP Co-Investment Unit Trust.*

	12 months to December 2017 $m	12 months to December 2016 $m
Financial assets at fair value through profit or loss		
Balance at beginning of reporting period	128.1	51.8
Additions	2.0	1.3
Gains recognised through profit or loss	37.6	75.0
Changes recognised in foreign currency translation reserve	(5.8)	-
Balance at reporting date	161.9	128.1

Changing inputs to the Level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in profit or loss, total assets, total liabilities or total equity.

Methods and valuation techniques

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Listed and unlisted investments
The fair values of listed investments are determined on an active market valuation basis using observable market data such as current bid prices. The fair values of unlisted investments are determined by the use of internal valuation techniques using discounted cash flows. Where practical the valuations incorporate observable market data. Assumptions are generally required with regard to future expected revenues and discount rates.

Listed and unlisted debt
Fair value has been determined based on either the listed price or the net present value of cash flows using current market rates of interest. The carrying amounts of other financial assets and liabilities in the Group's statement of financial position approximate fair values.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

35. FINANCIAL INSTRUMENTS CONTINUED

f) Net fair values of financial assets and liabilities continued

Methods and valuation techniques continued

The fair value of interest bearing liabilities is:

- *Listed debt:* 10-Year-Fixed-Rate Guaranteed Notes fair value US$214.3 million, equivalent to $274.8 million; carrying value US$201.3 million, equivalent to $258.1 million (31 December 2016: fair value US$212.4 million, equivalent to $295.0 million; carrying value US $201.3 million, equivalent to $279.6 million).
- *Unlisted debt*: Guaranteed Senior Notes fair value US$210.5 million, equivalent to $269.9 million; carrying value US$194.0 million, equivalent to $248.7 million (31 December 2016: fair value US$368.3 million, equivalent to $511.6 million; carrying value US$339.0 million, equivalent to $470.8 million).

Cash flow hedges
The Group's foreign currency forward contracts are not traded in active markets. The fair values of these contracts are estimated using a valuation technique that maximises the use of observable market inputs, e.g. market exchange and interest rates and are included in Level 2 of the fair value hierarchy.

Option to acquire shares
The Group's option to acquire shares is not related to a listed entity and as such the fair value cannot be observed from a market price. The Monte-Carlo simulation technique used incorporates market observable data including multiples of similar companies to derive a value of the company and compares this to the contractual exercise price to determine a fair value.

Valuation process

The internal valuation process for unlisted investments, unlisted debt and cash flow hedges is managed by a team in the Group finance department which performs the valuations required for financial reporting purposes. The valuation team reports to the CIMIC's CFO. Discussions on valuation processes and outcomes are held between the valuation team and CFO as required. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Valuation inputs

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. There were no significant inter-relationships between unobservable inputs that materially affect fair values.

Financial assets/ financial liabilities	Significant unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Unlisted investments	Growth rates	2.5% - 3.0%	The impact on a change in the unobservable inputs would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity
	Internal rate of return	9%	
	Discount rates	10% - 15%	
Option to acquire shares	Expected exercise period	1 – 10 years	
	EBITDA multiple	6-12 times	
	Discount rates	15%	

g) Interest bearing loans

Syndicated loans

On 18 September 2017, CIMIC Finance Limited, a wholly owned subsidiary of the Company, refinanced and expanded the core syndicated bank facility for $2,600.0 million, maturing across two tranches on 18 September 2020 and 18 September 2022. Carrying amount at 31 December 2017: $245.0 million (carrying amount at 31 December 2016: $nil). There are $12.7 million of capitalised borrowing costs recognised against the loan facility (31 December 2016: $nil).

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35. FINANCIAL INSTRUMENTS CONTINUED

g) Interest bearing loans continued

Guaranteed Senior Notes

CIMIC Finance Limited (2008)
On 15 October 2008, CIMIC Finance Limited, issued a total of US$280.0 million Guaranteed Senior Notes in three series:

- Series A Notes: US$111.0 million Guaranteed Senior Notes at the rate of 6.91% which matured on 15 October 2013
- Series B Notes: US$90.0 million Guaranteed Senior Notes at the rate of 7.19% which matured on 15 October 2015
- Series C Notes: US$79.0 million Guaranteed Senior Notes at the rate of 7.66% maturing on 15 October 2018

Interest on the above Notes is paid semi-annually on the 15th day of April and October in each year. Carrying amount at 31 December 2017: US$79.0 million (31 December 2016: US$79.0 million) equivalent to $101.3 million (31 December 2016: $109.7 million), of which US$79.0 million is due for repayment within twelve months from the reporting date.

CIMIC Finance (USA) Pty Limited (2010)
On 21 July 2010, CIMIC Finance (USA) Pty Limited, a wholly owned subsidiary of the Company, issued a total of US$350.0 million Guaranteed Senior Notes in three series:

- Series A Notes: US$90.0 million Guaranteed Senior Notes at the rate of 4.51% which matured on 21 July 2015
- Series B Notes: US$145.0 million Guaranteed Senior Notes at the rate of 5.22% which matured on 21 July 2017
- Series C Notes: US$115.0 million Guaranteed Senior Notes at the rate of 5.78% maturing on 21 July 2020

Interest on the above Notes is paid semi-annually on the 21st day of January and July in each year. Carrying amount at 31 December 2017: US$115.0 million (31 December 2016: US$260.0 million) equivalent to $147.4 million (31 December 2016: $361.1 million), of which none is due for repayment within twelve months from the reporting date.

CIMIC Finance (USA) Pty Limited (2012)
On 13 November 2012, CIMIC Finance (USA) Pty Limited, a wholly owned subsidiary of the Company, issued US$500.0 million of 10-Year Fixed-Rate Guaranteed Senior Notes.

The Notes bear interest from 13 November 2012 at the rate of 5.95% per annum and mature on 13 November 2022. Interest on the Notes will be paid semi-annually on the 13th day of May and November in each year. The Group repurchased US$298.7 million, equivalent to $409.2 million, of Guaranteed Senior Notes on 24 June 2015. Carrying amount at 31 December 2017: US$201.3 million (31 December 2016: US$201.3 million) equivalent to $258.1 million (31 December 2016: $279.6 million).

Bilateral loans

At 31 December 2017, bilateral loan facilities outstanding were $112.0 million (31 December 2016: $115.0 million).

Other unsecured loans

Other unsecured loans outstanding as at 31 December 2017: $5.7 million (31 December 2016: $11.6 million). Other unsecured loans expected to be settled within twelve months after reporting date: $5.7 million (31 December 2016: $11.6 million).

h) Finance lease liabilities

The Group has no finance lease liabilities remaining at 31 December 2017.

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35. FINANCIAL INSTRUMENTS CONTINUED

i) Limited recourse loans

The Group has limited recourse property development loans secured against certain property development assets of the Group. Carrying amount as at 31 December 2017: $46.6 million (31 December 2016: $17.3 million).

The Group had borrowings attributable to their UGL subsidiary secured against the assets of the subsidiary. Carrying amount as at 31 December 2017: $nil (31 December 2016: $250.0 million).

j) Assets pledged as security

The total carrying value of financial assets pledged as security at the reporting date is as follows:

	December 2017 $m	December 2016 $m
Assets pledged as security		
Property development - mortgaged	158.9	203.0
Other assets - fixed and floating charge	78.4	1,267.6
Total pledged assets	237.3	1,407.6

Loans relating to development properties are secured by mortgages over the Group's development property inventories. At the reporting date, loans relating to development properties are disclosed above in Note 35 (i): *Financial instruments - Limited recourse loans*.

A fixed and floating charge over certain other assets of Devine, part of the Commercial & Residential segment, is held by Devine's principal bankers relating to their commercial and residential property lending.

UGL has a number of facilities secured against the assets of the UGL group.

k) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the balance sheet are disclosed in the table below.

	Effects of offsetting on the balance sheet			Related amounts not offset	
	Gross amounts of bank accounts with a debit balance (financial asset) $m	Gross amounts of bank accounts with a credit balance (financial liability) $m	Net cash amount $m	Amounts subject to master netting arrangements $m	Net amount $m
December 2017					
Cash[1]	48.6	(4.9)	43.7	-	-
December 2016					
Cash[1]	25.4	(25.3)	0.1	-	-

[1]The Group has transactional banking facilities that notionally pool grouped bank accounts with credit and debit balances.

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36. EMPLOYEE BENEFITS

a) Rights plans

Equity Incentive Plans – 2012, 2013, and 2014 Awards
Shareholder approval was obtained at the Annual General Meeting on 22 May 2012 for the Equity Incentive Plan ("EIP"). The EIP provides the legal framework for the awards of share rights made in 2012, 2013 and 2014 under the Long-Term Incentive Plan ("LTI"), Short-Term Incentive Plan (Deferral) ("STI") and One-off Awards described below.

At 31 December 2016 the 2012 and 2013 awards had been fully vested or lapsed. Therefore, there has been no movements recognised in the current year profit or loss or reserves for these schemes which were disclosed in the 2016 CIMIC annual report as these were fully complete at that date.

Long-Term Incentive Plan – 2014 Awards
The Long-Term Incentive Plan ("LTI") – 2014 Awards performance share rights were granted for no cost to the employee and entitle the participant to receive one fully paid ordinary share in the Company per right, subject to the terms and conditions determined by the Remuneration and Nomination Committee, including vesting conditions linked to service and performance over the three year performance period. All share rights issued expire on the earlier of their vesting date where performance hurdles are not met or termination of the individual's employment except in certain special circumstances.

In addition to a continuing employment service condition, the vesting is conditional on the Group achieving Total Shareholder Return ("TSR") (i.e. growth in share price plus dividends reinvested) or Earnings Per Share ("EPS") performance hurdles, as follows:

- 50% of each grant of share rights will be subject to a TSR performance hurdle ("parcel A"). The TSR hurdle requires the Company's TSR percentile ranking against the TSR performance of the companies comprising the ASX 100 (as at 1 January 2014) over the performance period (from grant date to test date) to be at least at the 51st percentile before any parcel A share rights vest (50% vest at threshold) then pro rata to the 75th percentile and then at the 75th percentile or greater all parcel A share rights vest; no rights will vest if TSR is less than or equal to 0%; and
- 50% of each grant of share rights will be subject to an EPS hurdle ("parcel B"). Annual compound earnings per share growth over the performance period must be at least 6% per annum before any parcel B share rights vest (50% vest at threshold) then pro rata to 10% per annum and then at 10% per annum all parcel B share rights vest.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

36. EMPLOYEE BENEFITS CONTINUED

a) Rights plans continued

Amount recognised during the reporting period: Gain $3.3 million (31 December 2016: Expense $0.6 million).

	2014 LTI award
Date of grant	1 January 2014
Date of performance period end[1]	31 December 2016
Grant fair value for TSR performance hurdle ("parcel A")[2]	$13.81
Grant fair value for EPS hurdle ("parcel B")[3]	$19.78
Original grant	704,802
Unvested rights at 31 December 2015	400,642
- Granted	-
- Vested[4]	-
- Forfeited/Lapsed	(65,657)
Unvested rights at 31 December 2016	334,985
- Granted	-
- Vested[5]	(165,376)
- Forfeited/Lapsed[5]	(169,609)
Unvested rights at 31 December 2017	-

[1] *Each 2014 LTI performance hurdle is tested over a three year performance period, which runs from 1 January. Performance hurdles are to be tested in February following the announcement of full year results for the previous financial year.*
[2] *The fair values were calculated at grant date using Monte-Carlo simulation pricing models. Volatility in share prices and expected dividend levels were estimated based on historic levels for a period consistent with the relevant performance period.*
[3] *The fair values were calculated at grant date using binomial tree pricing models. Volatility in share prices and expected dividend levels were estimated based on historic levels for a period consistent with the relevant performance period.*
[4] *The volume weighted average share price during the reporting period to 31 December 2016 was $31.30.*
[5] *The performance hurdles for the 2014 LTI were partially met at the test date in February 2017 and as a result 0% of the EPS grant vested and 100% of the TSR grant vested on 14 March 2017. The remaining unvested rights lapsed in accordance with the terms of the award. The five day volume weighted average share price starting from 14 March 2017 was $36.56.*

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for the 12 months to 31 December 2017

36. EMPLOYEE BENEFITS CONTINUED

a) Rights plans continued

One-Off Awards

One-off awards of Deferred Share Rights were granted under the Equity Incentive Plan ("EIP") for no cost to the employee and entitle the participant to receive one fully paid ordinary share in the Company per right. In 2012, 2013, and 2014 one-off awards were granted to employees:

- to replace existing cash-based service and retention arrangements where payment was due to vest over the longer-term; and
- as one-off awards to new and existing employees for recruitment and retention purposes.

All share rights issued expire on the earlier of their vesting date where performance conditions are not met or termination of the individual's employment except in certain special circumstances. The only performance condition is continued employment.

Amount recognised during the reporting period: $nil (31 December 2016: Expense $0.1 million).

	One-off Awards – 2012 Awards	One-off Awards – 2013 Awards	One-off Awards – 2014 Awards
Date of grant	1 Jan 2012 - 31 Dec 2012	3 May 2013	31 Oct 2014
Date of performance period end	5 Sep 2012 - 31 Dec 2017	31 Dec 2014 - 1 Jan 2017	31 Dec 2014 - 1 Jul 2017
Grant fair value[1]	$16.20 -$25.66	$18.06	$16.18 - $21.50
Original grant	811,018	22,034	43,542
Unvested rights at 31 December 2015	82,651	8,248	12,930
- Granted	-	-	-
- Vested[3]	(70,831)	(4,124)	(6,651)
- Forfeited/Lapsed	(9,317)	(4,124)	-
Unvested rights at 31 December 2016	2,503	-	6,279
- Granted	-	-	-
- Vested[4]	(2,503)	-	(6,279)
- Forfeited/Lapsed	-	-	-
Unvested rights at 31 December 2017	-	-	-

[1] The fair values were calculated using a five day volume weighted average share price up to and including the relevant reference date.
[2] This grant represents an additional award in accordance with contractual entitlements.
[3] The volume weighted average share price during the reporting period to 31 December 2016 was $31.30.
[4] The volume weighted average share price during the reporting period to 31 December 2017 was $40.99.

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for the 12 months to 31 December 2017

36. EMPLOYEE BENEFITS CONTINUED

a) Rights plans continued

Short-Term Incentive Plan (Deferral) – 2012, 2013 and 2014 Awards

During the period 2012 to 2014, a percentage of the amount which was earned by executives as a short-term incentive for each financial year was paid in cash, and a percentage delivered as deferred share rights, vesting of which was deferred for one to two years without any additional performance measures. The Company has the ability to reduce the number of shares to be issued under share rights if subsequent events show such a reduction to be appropriate. In making this determination, the Company may consider material changes or reversals in the Group's financial position or profitability from one period to the next.

For each financial year, deferred share rights were granted following the determination of individual short-term incentive payments. The number of deferred share rights granted was determined by reference to the five day volume weighted average price of fully paid ordinary shares in the company over the five days following the Company's full year results announcement.

The deferred share rights were granted for no cost to the employee and entitle the participant to receive one fully paid ordinary share in the Company per right.

Amount recognised during the reporting period: $nil (31 December 2016: Gain $0.1 million).

	2012 STI Deferral award	2013 STI Deferral award	2014 STI Deferral award
Date of grant	1 Jan 2013	1 Jan 2014	1 Jan 2015
Date of performance period end	31 Dec 2014	31 Dec 2015	31 Dec 2015
Grant fair value[1]	$23.32	$17.51	$20.85
Original grant	193,907	299,953	76,448
Unvested rights at 31 December 2014	126,764	286,113	-
- Granted	-	-	76,448
- Vested[2]	(124,455)	-	-
- Forfeited/Lapsed	(2,309)	(51,633)	-
Unvested rights at 31 December 2015	-	234,480	76,448
- Granted	-	-	-
- Vested[3]	-	(234,480)	(76,448)
- Forfeited/Lapsed	-	-	-
Unvested rights at 31 December 2016 and 31 December 2017	-	-	-

[1] *The fair values were calculated using a five day volume weighted average price over the five days following the Company's full year results announcement.*

[2] *The volume weighted average share price during the reporting period to 31 December 2015 was $22.96.*

[3] *The five day volume weighted average share price up to and including 23 February 2016 was $29.48.*

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for the 12 months to 31 December 2017

36. EMPLOYEE BENEFITS CONTINUED

b) Share Appreciation Rights

Share Appreciation Rights – 2014 One-off Award to Marcelino Fernández Verdes (Executive Chairman)

Board approval was obtained on 11 December 2014 for the granting of share appreciation rights to Mr Fernández Verdes subject to a two year vesting period. The share appreciation rights were granted at no cost to Mr Fernández Verdes and entitle Mr Fernández Verdes to receive a cash payment reflecting the increase in value of the share price of the Company from the base share price of $17.71 to the share price at close of trading on the last trading day before the share appreciation right is exercised, with a maximum payment per share appreciation right of $32.29. The base price is the volume average weighted price of fully paid ordinary shares in CIMIC traded on the ASX over the 30 day period before Mr Fernández Verdes' appointment as CEO on 13 March 2014. All unvested or vested but unexercised share appreciation rights are subject to forfeiture if Mr Fernández Verdes had ceased to be the CEO of CIMIC before 31 December 2014 or if he did not remain a member of either the Executive Board or the Supervisory Board of HOCHTIEF for the period up to and including 13 March 2017. The share appreciation rights vested in full on 13 March 2016 and are exercisable for three years from the date of vesting. No more than 40% of the share appreciation rights can be exercised each year for the first two years after vesting, and any remaining share appreciation rights can be exercised in the final year of the exercise period. On 18 October 2016 Mr Valderas Martínez was appointed as CEO however Mr Fernández Verdes continues in his capacity as Executive Chairman.

Amount recognised during the reporting period: Expense $9.8 million (31 December 2016: Expense $13.7 million).

	Share Appreciation Rights - 2014 One-off Award to M Fernández Verdes
Date of grant	10 June 2014
Date of expiry	13 March 2019
Grant fair value[1]	$30.60
Original grant	1,200,000
Unexercised rights	
Unexercised rights at 31 December 2015	1,200,000
- Granted	-
- Exercised	-
- Forfeited/Lapsed	-
Unexercised rights at 31 December 2016	1,200,000
- Granted	-
- Exercised[2]	(960,000)
- Forfeited/Lapsed	-
Unexercised rights at 31 December 2017	240,000
Exercisable rights	
- At 31 December 2016[3]	480,000
- At 31 December 2017	-
Non-exercisable rights	
- At 31 December 2016[4]	720,000
- At 31 December 2017[5]	240,000

[1] The fair value was re-evaluated on 31 December 2017 using Monte-Carlo simulation pricing models. Volatility in share prices and expected dividend levels were estimated based on historic levels for a period consistent with the relevant performance period.
[2] The closing market share price on 8 February 2017 and 25 July 2017 were $38.85 and $42.03 respectively. Refer to 'Remuneration – Executive Chairman' in the Remuneration Report within this Annual Report.
[3] This represents 40% of the total vested share appreciation rights available to exercise in the first year from the date of vesting.
[4] This represents 60% of the total vested share appreciation rights unavailable to exercise in the first year from the date of vesting.
[5] This represents the remaining vested share appreciation rights which will become available to exercise in the final year of the exercise period.

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for the 12 months to 31 December 2017

36. EMPLOYEE BENEFITS CONTINUED

c) Options

Long-Term Incentive Plan – 2015 Award
Board approval was obtained on 28 October 2015 for a discretionary award of options over unissued ordinary shares in the Company to be made to selected executives. The award of options was made under the legal framework of the EIP approved by shareholders on 22 May 2012. The exercise price is the volume weighted average price of fully paid ordinary shares in CIMIC over the five trading days following Board approval of the award (excluding the date of the approval).

All options issued expire on the earlier of their expiry date or termination of the individual's employment except in certain circumstances. Options vest two years after the grant date, subject to individual service and contribution hurdles approved by the Company. Any Options that do not vest will immediately lapse. No more than 40% of the options can be exercised each year for the first two years after vesting, and any remaining options can be exercised in the final year of the exercise period. All options must be exercised prior to the expiry date.

The performance hurdles were met in full at the test date in October 2017 and as a result 100% of outstanding options vested in November 2017.

In accordance with the terms of the award, the Company determined on 31 October 2017 that all options available to be exercised in the first year (year 1 options) after vesting to 28 October 2018 will be paid in cash in lieu of an allocation of shares. The exercise settlement method for the vested options in years 2 and 3 of the exercise window remain by way of an allocation ordinary shares. In accordance with accounting standard AASB 2 Share-based payment, this decision to cash settle is considered a modification of these year 1 options from equity-settled to cash-settled. Accordingly, a liability was recognised for cash settlement at the date of modification, with a corresponding adjustment to equity. There was no incremental fair value granted to option holders as a result of this modification.

Notes to the Consolidated Financial Statements

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36. EMPLOYEE BENEFITS CONTINUED

c) Options

Amount recognised during the reporting period: Expense $1.0 million (31 December 2016: Expense $1.0 million).

	Options – 2015 Long-Term Incentive
Date of grant	29 October 2015
Date of expiry	29 October 2020
Grant fair value[1]	$4.53
Original grant	735,636
Unexercised options	
Unexercised options at 31 December 2015	735,636
- Granted	-
- Exercised[2]	-
- Lapsed	(183,405)
Unexercised options at 31 December 2016	552,231
- Granted	-
- Exercised[3]	(191,282)
- Lapsed	(49,861)
Unexercised options at 31 December 2017	311,088
Exercisable options	
- At 31 December 2016	-
- At 31 December 2017[4]	9,656
Non-exercisable options	
- At 31 December 2016	-
- At 31 December 2017[5]	301,432

[1] *The fair values were calculated at grant date using Black Scholes pricing models. Volatility in share prices and expected dividend levels were estimated based on historic levels for a period consistent with the relevant performance period.*
[2] *The volume weighted average share price during the reporting period to 31 December 2016 was $31.30.*
[3] *The volume weighted average share price during the reporting period to 31 December 2017 was $40.99.*
[4] *This represents the unexercised vested options in year 1 of the exercise window. A liability of $0.2 million has been recognised at 31 December 2017 for these cash settled options.*
[5] *This represents the unexercised vested options available to exercise in years 2 and 3 of the exercise window.*

Other information

No further offers will be made under the Short-Term Incentive Plan (STI) Deferral and all legacy grants vested in early 2016.

d) Defined contribution superannuation funds

During the period, the Group recognised $192.8 million (31 December 2016: $127.8 million) of defined contribution expenses.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

37. RELATED PARTY DISCLOSURES

a) Key management personnel (KMP)

KMP compensation:

	12 months to December 2017 $'000	12 months to December 2016 $'000
Short-term employee benefits	8,145	10,538
Post-employment benefits	93	84
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	10,773	14,377
Total KMP compensation	19,011	24,999

The terms and conditions of transactions with KMP and their related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

D Robinson is a partner of ESV Accounting and Business Advisors (ESV), which received fees from HOCHTIEF Australia Holdings Limited for services provided to that company, which is a related party. D Robinson also received directors' fees from Devine Limited as a result of his appointment on 27 May 2015.

R Seidler received fees from HOCHTIEF Australia Holdings Limited, for services provided to that company.

Loans to KMP

There were no loans to KMP in the current or prior reporting period.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

37. RELATED PARTY DISCLOSURES CONTINUED

b) Transactions with other related parties

Unless otherwise disclosed, transactions with other related parties are made on normal commercial terms and conditions. The aggregate of related party transactions was not material to the overall operations of the Group.

	December 2017 $'000	December 2016 $'000
Aggregate amounts receivable from related parties at reporting date		
Associates[1]	12,261	10,025
Joint venture entities[1]	1,075,520	1,067,742
Aggregate amounts payable to related parties at reporting date		
Associates	(2,124)	(2,203)
Joint venture entities	(25,649)	(34,679)

[1]Refer to Note 8: Trade and other receivables, which contains the disclosure of interest free and interest bearing loan receivables from HLG Contracting.

On 19 December 2016 the Group increased its ownership interest in UGL to more than 90% and exercised its right to compulsorily acquire the remaining shares, which was completed on 20 January 2017. A liability for $29,374,000 was recognised as at 31 December 2016 to the shareholders of UGL for their shares remaining to be compulsorily acquired and those shares acquired pre-year end settled at December 2016.

	12 months to December 2017 $'000	12 months to December 2016 $'000
Revenue – income from related parties		
Associates	3,600	4,519
Joint venture entities	3,224	3,771
Revenue - interest received / receivable from related parties		
Associates	-	24,974
Joint venture entities	34,066	2,270
Revenue - unwinding of discounts on non-current receivables - related parties		
Associates	-	8,045
Joint venture entities	9,678	731
Finance costs - impact of discounting - related parties		
Associates	(197)	(115)

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

37. RELATED PARTY DISCLOSURES CONTINUED

b) Transactions with other related parties continued

	December 2017 Number of employees	December 2016 Number of employees
Number of employees		
Number of employees at reporting date[1]	51,000	50,500

[1]*Includes a proportional share of employees of Ventia and HLG Contracting.*

c) Company information

CIMIC Group is domiciled in Australia and is a company listed on the ASX. The Company was incorporated in Victoria, Australia. The address of the registered office is 177 Pacific Highway, North Sydney, NSW, Australia, 2060. Number of employees at reporting date: 7 (31 December 2016: 6).

The Group operates in the infrastructure, resources and property markets. Principal activities of the Group within these markets are construction, mining and mineral processing, public private partnerships, engineering and other services (including environmental, telecommunications and operations and maintenance).

d) Ultimate parent entity

The ultimate Australian parent entity is HOCHTIEF Australia Holdings Limited and the ultimate parent entity is Actividades de Construcción y Servicios, SA (ACS) incorporated in Spain.

CIMIC Directors, Mr D Robinson, Mr P Sassenfeld, Mr M Fernández Verdes and alternate director Mr R Seidler were directors of HOCHTIEF Australia Holdings Limited during the period.

CIMIC Directors Mr J del Valle Pérez and Mr P López Jiménez were directors of ACS during the period.

At the date of this financial report, being 6 February 2018, HOCHTIEF Australia Holdings Limited held 235,661,965 shares in the Company.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES

a) Parent entity disclosures

As at, and throughout, the financial year ended 31 December 2017 the parent entity of the Group was CIMIC Group Limited. A summarised statement of profit or loss and summarised statement of financial position at 31 December 2017 is set out below:

	Company	
	12 months to December 2017 $m	12 months to December 2016 $m
Comprehensive income		
Profit / (loss) for the period	22.9	(98.4)
Other comprehensive income	-	-
Total comprehensive income for the period	22.9	(98.4)

	December 2017 $m	December 2016 $m
Statement of Financial Position		
Current assets	64.9	24.9
Non-current assets	4,814.5	5,327.9
Total assets	4,879.4	5,352.8
Current liabilities	29.1	232.5
Non-current liabilities	1,227.7	1,113.8
Total liabilities	1,256.8	1,346.3
Net assets	3,622.6	4,006.5
Equity		
Share capital	1,750.3	1,750.3
Reserves	(87.0)	(75.8)
Retained earnings	1,959.3	2,332.0
Total equity	3,622.6	4,006.5

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38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities

Name of entity		Interest held	Place of incorporation
512 Wickham Street Pty Ltd	(B)	100%	NSW
512 Wickham Street Trust	(B)	100%	NSW
A.C.N. 126 130 738 PTY LTD		100%	VIC
A.C.N. 151 868 601 PTY. LTD.	(B)	100%	VIC
Arus Tenang SND BHD		100%	Malaysia
Ashmore Developments Pty Limited	(B)	100%	NSW
Ausindo Holdings Pte Ltd		100%	Singapore
BCJHG Nominees Pty Ltd	(B)	100%	VIC
BCJHG Trust	(B)	100%	VIC
BKP Electrical Limited[2]		100%	Fiji
Boggo Road Project Pty Limited	(B)	100%	QLD
Boggo Road Project Trust	(B)	100%	QLD
Broad Construction Services (NSW/VIC) Pty Ltd	(B)	100%	WA
Broad Construction Pty Ltd[1]	(B)	100%	QLD
Broad Construction Services (WA) Pty Ltd[1]	(B)	100%	WA
Broad Group Holdings Pty Ltd[1]	(B)	100%	WA
CIMIC Admin Services Pty Limited[1]	(B)	100%	NSW
CIMIC Finance (USA) Pty Ltd	(B)	100%	NSW
CIMIC Finance Limited[1]	(B)	100%	NSW
CIMIC Group Investments Pty Limited	(B)	100%	VIC
CIMIC Group Investments No. 2 Pty Limited	(B)	100%	VIC
CIMIC Group Limited[4]	(B)		VIC
CIMIC Residential Investments Pty Ltd	(B)	100%	VIC
Contrelec Engineering Pty Ltd	(B)	100%	QLD
CPB Contractors (PNG) Limited (formerly known as LCPL (PNG) Limited)		100%	Papua New Guinea
CPB Contractors Pty Ltd[1]	(B)	100%	NSW
CPB Contractors UGL Engineering Joint Venture	(B)	100%	VIC
D.M.B. Pty. Ltd.		59%	QLD
Devine Bacchus Marsh Pty Ltd		59%	QLD
Devine Building Management Services Pty Ltd		59%	QLD
Devine Colton Avenue Pty Ltd		59%	QLD
Devine Constructions Pty Ltd		59%	QLD
Devine Funds Pty Ltd		59%	VIC
Devine Funds Unit Trust		59%	VIC
Devine Homes Pty Ltd		59%	QLD
Devine Land Pty Ltd		59%	QLD

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38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
Devine Limited		59%	QLD
Devine Management Services Pty Ltd		59%	QLD
Devine Projects (VIC) Pty Ltd		59%	QLD
Devine Queensland No.10 Pty Ltd		59%	QLD
Devine SA Land Pty Ltd		59%	QLD
Devine Springwood No. 1 Pty Ltd		59%	NSW
Devine Springwood No. 2 Pty Ltd		59%	QLD
Devine Springwood No. 3 Pty Ltd		59%	QLD
Devine Woodforde Pty Ltd		59%	QLD
DoubleOne 3 Building Management Services Pty Ltd		59%	QLD
DoubleOne 3 Pty Ltd		59%	QLD
EIC Activities Pty Ltd	(B)	100%	VIC
EIC Activities Pty Ltd (NZ)	(A)	100%	New Zealand
Fleetco Canada Rentals Ltd		100%	Canada
Fleetco Chile SPA		100%	Chile
Fleetco Finance Pty Limited	(B)	100%	VIC
Fleetco Holdings Pty Limited	(B)	100%	VIC
Fleetco Management Pty Limited	(B)	100%	VIC
Fleetco Rentals AN Pty Limited	(B)	100%	VIC
Fleetco Rentals CT Pty. Limited	(B)	100%	VIC
Fleetco Rentals HD Pty. Limited	(B)	100%	VIC
Fleetco Rentals 2017 Pty. Limited	(B)	100%	VIC
Fleetco Rentals No. 1 Pty Limited	(B)	100%	VIC
Fleetco Rentals OO Pty. Limited	(B)	100%	VIC
Fleetco Rentals Pty Limited	(B)	100%	VIC
Fleetco Rentals RR Pty. Limited	(B)	100%	VIC
Fleetco Rentals UG Pty. Limited	(B)	100%	VIC
Fleetco Services Pty Limited	(B)	100%	VIC
Ganu Puri Sdn Bhd[3]		100%	Malaysia
Giddens Investment Limited		100%	Hong Kong
GSJV Limited (Barbados)[2]		50%	Barbados
GSJV Limited (Guyana)[2]		50%	Guyana
Hamilton Harbour Developments Pty Ltd		80%	QLD
Hamilton Harbour Unit Trust (Devine Hamilton Unit Trust)		80%	QLD
Hunter Valley Earthmoving Co Pty Ltd	(B)	100%	NSW
HWE Cockatoo Pty Ltd	(B)	100%	NT

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38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
HWE Mining Pty Limited	(B)	100%	VIC
Inspection Testing & Certification Pty Ltd	(B)	100%	Australia
Intermet Engineering Pty Ltd	(B)	100%	QLD
Jarrah Wood Pty Ltd	(B)	100%	WA
JH AD Holdings Pty Ltd	(B)	100%	VIC
JH AD Investments Pty Ltd	(B)	100%	VIC
JH AD Operations Pty Ltd	(B)	100%	VIC
JH Rail Holdings Pty Ltd		59%	VIC
JH Rail Investments Pty Ltd		59%	VIC
JH Rail Operations Pty Ltd		59%	VIC
JH ServiceCo Pty Ltd	(B)	100%	VIC
JHAS Pty Ltd	(B)	100%	VIC
JHI Investment Pty Ltd	(B)	100%	VIC
Joetel Pty. Limited		59%	ACT
Kings Square Developments Pty Ltd	(B)	100%	QLD
Kings Square Developments Unit Trust	(B)	100%	QLD
Legacy JHI Pty Ltd	(B)	100%	VIC
Leighton (PNG) Limited		100%	Papua New Guinea
Leighton Asia (Hong Kong) Holdings (No. 2) Limited		100%	Hong Kong
Leighton Asia Limited		100%	Hong Kong
Leighton Asia Southern Pte. Ltd.		100%	Singapore
Leighton Companies Management Group LLC		49%	United Arab Emirates
Leighton Contractors (Asia) Limited		100%	Hong Kong
Leighton Contractors (China) Limited		100%	Hong Kong
Leighton Contractors (Indo-China) Limited		100%	Hong Kong
Leighton Contractors (Laos) Sole Co., Limited		100%	Laos
Leighton Contractors (Malaysia) Sdn Bhd		100%	Malaysia
Leighton Contractors (Philippines), Inc.		40%	Philippines
Leighton Contractors Asia (Cambodia) Co., Ltd		100%	Cambodia
Leighton Contractors Asia (Vietnam) Limited		100%	Vietnam
Leighton Contractors Inc		100%	United States
Leighton Contractors Infrastructure Nominees Pty Ltd	(B)	100%	VIC
Leighton Contractors Infrastructure Pty Ltd	(B)	100%	VIC
Leighton Contractors Infrastructure Trust	(B)	100%	VIC
Leighton Contractors Lanka (Private) Limited		100%	Sri Lanka

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for the 12 months to 31 December 2017

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
Leighton Contractors Pty Ltd (formerly known as Leighton Services Australia Pty Limited)	(B)	100%	NSW
Leighton Engineering & Construction (Singapore) Pte Ltd		100%	Singapore
Leighton Engineering Snd Bhd		100%	Malaysia
Leighton Equity Incentive Plan Trust		100%	NSW
Leighton Foundation Engineering (Asia) Limited		100%	Hong Kong
Leighton GBS SDN. BHD.		100%	Malaysia
Leighton Group Property Services Pty Ltd	(B)	100%	VIC
Leighton Harbour Trust	(B)	100%	QLD
Leighton Holdings Infrastructure Nominees Pty Ltd	(B)	100%	VIC
Leighton Holdings Infrastructure Pty Ltd	(B)	100%	VIC
Leighton Holdings Infrastructure Trust	(B)	100%	VIC
Leighton India Contractors Private Limited[3]		100%	India
Leighton Infrastructure Investments Pty Limited	(B)	100%	NSW
Leighton International Limited		100%	Cayman Islands
Leighton International Mauritius Holdings Limited No. 4		100%	Mauritius
Leighton Investments Mauritius Limited		100%	Mauritius
Leighton Investments Mauritius Limited No. 2		100%	Mauritius
Leighton Investments Mauritius Limited No. 4		100%	Mauritius
Leighton Joint Venture		100%	Hong Kong
Leighton (PNG) Limited (formerly known as LCPL (PNG) Limited)		100%	Papua New Guinea
Leighton M&E Limited		100%	Hong Kong
Leighton Middle East & Africa (Holding) Limited		100%	Cayman Islands
Leighton Offshore Eclipse Pte Ltd		100%	Singapore
Leighton Offshore Faulkner Pte Ltd		100%	Singapore
Leighton Offshore Mynx Pte Ltd		100%	Singapore
Leighton Offshore Pte Ltd		100%	Singapore
Leighton Offshore Snd Bhd		100%	Malaysia
Leighton Offshore Stealth Pte Ltd		100%	Singapore
Leighton Portfolio Services Pty Limited	(B)	100%	ACT
Leighton Projects Consulting (Shanghai) Limited		100%	China
Leighton Properties (Brisbane) Pty Limited	(B)	100%	QLD
Leighton Properties (VIC) Pty Ltd[1]	(B)	100%	VIC
Leighton Properties (WA) Pty Limited	(B)	100%	NSW
Leighton Properties Pty Limited[1]	(B)	100%	QLD

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for the 12 months to 31 December 2017

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
Leighton U.S.A. Inc.		100%	United States
Leighton-LNS Joint Venture		80%	Hong Kong
LH Holdings Co Pty Ltd	(B)	100%	VIC
LMENA No. 1 Pty Limited	(B)	100%	VIC
LMENA Pty Limited	(B)	100%	VIC
LNWR Pty Limited	(B)	100%	VIC
LNWR Trust	(B)	100%	NSW
LPWRAP Pty Ltd	(B)	100%	VIC
Martox Pty Limited		59%	NSW
Moorookyle Devine Pty Ltd		59%	VIC
Moving Melbourne Together Finance Pty Ltd	(B)	100%	VIC
MTCT Services Pty Ltd (formerly United Group Pty Ltd)	(B)	100%	Australia
Newcastle Engineering Pty Ltd	(B)	100%	Australia
Nexus Point Solutions Pty Ltd	(B)	100%	NSW
Oil Sands Employment LTD	(A)	100%	Canada
Olympic Dam Maintenance Pty Ltd	(B)	100%	Australia
Opal Insurance (Singapore) Pte Ltd		100%	Singapore
Optima Activities Pty Ltd	(A)	100%	NSW
Pacific Partnerships Holdings Pty Ltd	(B)	100%	VIC
Pacific Partnerships Investments Pty Ltd	(B)	100%	VIC
Pacific Partnerships Investments Trust	(B)	100%	VIC
Pacific Partnerships Pty Ltd	(B)	100%	VIC
Pacific Partnerships Services NZ Limited (formerly known as Leighton PPP Services NZ Limited)		100%	New Zealand
Pacific Partnerships Services Pty Limited	(B)	100%	VIC
Pioneer Homes Australia Pty Ltd		59%	QLD
PT Leighton Contractors Indonesia		95%	Indonesia
PT Thiess Contractors Indonesia		99%	Indonesia
RailFleet Maintenance Services Pty Ltd		100%	Australia
Riverstone Rise Gladstone Pty Ltd		59%	QLD
Riverstone Rise Gladstone Unit Trust		59%	QLD
Ruby Equation Sdn Bhd[3]		100%	Malaysia
Sedgman Asia Ltd		100%	Hong Kong
Sedgman Botswana (Pty) Ltd		100%	Botswana

Notes to the Consolidated Financial Statements

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38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
Sedgman Canada Limited		100%	Canada
Sedgman Chile SPA		100%	Chile
Sedgman Consulting Pty Ltd	(B)	100%	QLD
Sedgman Consulting Unit Trust		100%	QLD
Sedgman Employment Services Pty Ltd	(B)	100%	QLD
Sedgman Engineering Technology (Beijing) Company Limited		100%	China
Sedgman International Employment Services Pty Ltd	(B)	100%	QLD
Sedgman LLC		100%	Mongolia
Sedgman Malaysia SND BHD		100%	Malaysia
Sedgman Mozambique Limitada[3]		100%	Mozambique
Sedgman Operations Employment Services Pty Ltd	(B)	100%	QLD
Sedgman Operations Pty Ltd	(B)	100%	QLD
Sedgman Pty Ltd	(B)	100%	QLD
Sedgman SAS (Columbia)		100%	Colombia
Sedgman South Africa (Proprietary) Ltd		100%	South Africa
Sedgman South Africa Holdings (Proprietary) Ltd		100%	South Africa
Silverton Group Pty Ltd	(B)	100%	WA
Sustaining Works Pty Limited	(B)	100%	QLD
Talcliff Pty Ltd		59%	QLD
Tambala Pty Ltd[3]		100%	Mauritius
Telecommunication Infrastructure Pty Ltd	(B)	100%	VIC
Thai Leighton Limited		49%	Thailand
Thiess (Mauritius) Pty Ltd[2]		100%	Mauritius
Thiess Africa Investments Pty Ltd		100%	South Africa
Thiess Botswana (Proprietary) Limited		100%	Botswana
Thiess Chile SPA		100%	Chile
Thiess Contractors (Malaysia) Snd. Bhd.		100%	Malaysia
Thiess Contractors (PNG) Limited		100%	Papua New Guinea
Thiess Contractors Canada Ltd		100%	Canada
Thiess Contractors Oil Sands No. 1 Ltd		100%	Canada
Thiess India Pvt Ltd[3]		100%	India
Thiess Infrastructure Nominees Pty Ltd	(B)	100%	VIC
Thiess Infrastructure Pty Ltd	(B)	100%	VIC
Thiess Infrastructure Trust	(B)	100%	VIC
Thiess Khishig Arvin JV LLC		80%	Mongolia

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for the 12 months to 31 December 2017

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
Thiess Minecs India Pvt Ltd[3]		90%	India
Thiess Mining Maintenance Pty Ltd	(B)	100%	QLD
Thiess Mongolia LLC		100%	Mongolia
Thiess Mozambique Limitada		100%	Mozambique
Thiess NC		100%	New Caledonia
Thiess NZ Limited		100%	New Zealand
Thiess Pty Ltd	(B)	100%	QLD
Thiess Sedgman Joint Venture	(B)	100%	NSW
Thiess South Africa (Pty) Ltd		100%	South Africa
Think Consulting Group Pty Ltd	(B)	100%	VIC
Townsville City Project Pty Ltd		80%	NSW
Townsville City Project Trust		80%	QLD
Trafalgar EB Pty Ltd		59%	QLD
Trafalgar EB Unit Trust		59%	QLD
Tribune SB Pty Ltd		59%	QLD
Tribune SB Unit Trust		59%	QLD
UGL (Asia) Snd Bhd		100%	Malaysia
UGL (NZ) Limited		100%	New Zealand
UGL (Singapore) Pte Ltd		100%	Singapore
UGL Canada Inc[2]		100%	Canada
UGL Engineering Private Limited[4]		100%	India
UGL Engineering Pty Ltd[1]	(B)	100%	Australia
UGL Operations and Maintenance (Services) Pty Limited[1]	(B)	100%	Australia
UGL Operations and Maintenance Pty Ltd[1]	(B)	100%	Australia
UGL Pty Limited[1]	(B)	100%	Australia
UGL Rail (North Queensland) Pty Ltd	(B)	100%	Australia
UGL Rail Fleet Services Pty Limited	(B)	100%	Australia
UGL Rail Pty Ltd	(B)	100%	Australia
UGL Rail Services Pty Limited[1]	(B)	100%	Australia
UGL Resources (Contracting) Pty Ltd	(B)	100%	Australia
UGL Resources (Malaysia) Snd Bhd		100%	Malaysia
UGL Unipart Rail Services Pty Ltd		70%	Australia
United Goninan Construction Pty Ltd	(B)	100%	Australia
United Group Infrastructure (NZ) Limited		100%	New Zealand

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
United Group Infrastructure (Services) Pty Ltd	(B)	100%	Australia
United Group International Pty Ltd	(B)	100%	Australia
United Group Investment Partnership[2]		100%	USA
United Group Melbourne Transport Pty Ltd	(B)	100%	Australia
United Group Water Projects (Victoria) Pty Ltd	(B)	100%	Australia
United Group Water Projects Pty Ltd	(B)	100%	Australia
United KG (No. 1) Pty Ltd	(B)	100%	Australia
United KG (No. 2) Pty Ltd	(B)	100%	Australia
United KG Construction Pty Ltd	(B)	100%	Australia
United KG Engineering Services Pty Ltd	(B)	100%	Australia
United KG Maintenance Pty Ltd	(B)	100%	Australia
Western Improvement Network Finance Pty Limited	(A)(B)	100%	VIC
Western Port Highway Trust	(B)	100%	VIC
Yoltax Pty Limited		59%	NSW
Zelmex Pty Limited		59%	ACT

[1]*These companies have the benefit of ASIC Instrument 2016/785 as at 31 December.*

[2]*Entity has a 30 June reporting date.*

[3]*Entity has a 31 March reporting date.*

[4]*This company is a party to the Deed of Cross Guarantee as Holding Entity.*

(A) *Incorporated / established in the 2017 reporting period.*

(B) *Entities included in the tax-consolidated Group.*

Where the Group has an ownership interest of less than 50%, the entity is consolidated where the Group can demonstrate its control of the entity, in that it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

c) Acquisition and disposal of controlled entities

Refer to Note 29: *Acquisitions and disposals of controlled entities and businesses* for further details.

d) Liquidation of controlled entities

The following controlled entities have been liquidated during the period to 31 December 2017 as they are no longer required by the Group in the ordinary course of business:

- 145 Ann Street Pty Ltd
- 145 Ann Street Trust
- Lei Shun Employment Limited
- Leighton Africa (Mauritius) Limited
- Leighton Commercial Properties Pty Limited
- Leighton Funds Management Pty Limited
- Leighton Offshore / Leighton Engineering & Construction JV
- Leighton Properties (NSW) Pty Ltd
- Leighton Property Funds Management Limited
- Leighton Property Management Pty Limited
- Mainco Melbourne Pty Ltd
- Sedgman South Africa Investments Limited (BVI)
- HWE Newman Assets Pty Limited
- Thiess Sedgman Joint Venture
- Leighton Pacific St Leonards Pty Limited

e) Parent entity commitments and contingent liabilities

Contingent liabilities under indemnities given on behalf of controlled entities in respect of the parent: bank guarantees: $2,307.1 million (31 December 2016: $1,864.8 million); insurance bonds: $1,060.3 million (31 December 2016: $699.1 million); letters of credit: $102.4 million (31 December 2016: $180.6 million).

During the reporting period, the parent was released from bank guarantees totalling $nil million (31 December 2016: $nil milllion), insurance, performance and payments bonds totalling $nil million (31 December 2016: $nil million) and letters of credit totalling $nil million (31 December 2016: $nil million) related to the disposal of controlled entities and businesses.

Capital expenditure contracted for at the reporting date but not recognised as liabilities of the parent was $nil (31 December 2016: $nil).

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

f) Material subsidiaries including consolidated structured entities

Set out below are the Company's principal subsidiaries at 31 December 2017. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Company, and the proportion of ownership interests held equals to the voting rights held by the Company.

			Ownership interest held by the Company		Ownership interest held by non-controlling interests	
Name of entity	Principal activity	Country of incorporation	December 2017 %	December 2016 %	December 2017 %	December 2016 %
CPB Contractors Pty Limited[1]	Construction	Australia	100	100	-	-
Thiess Pty Ltd	Contract Mining & Construction	Australia	100	100	-	-
Leighton Asia Limited	Construction	Hong Kong	100	100	-	-
Leighton International Limited	Construction	Cayman Islands	100	100	-	-
UGL Pty Limited[2]	Services	Australia	100	95	-	5

[1]CPB Contractors Pty Limited has the benefit of ASIC Instrument 2016/785 as at 31 December 2017. For further information, refer to section (i).
[2]As at 31 December 2016 the Group owned 95% of the shares of UGL but had exercised the right to compulsorily acquire the remaining shares with a liability recognised for the remaining shares at December 2016. The compulsory acquisition process completed on 20 January 2017.

Non-controlling interests
There were no material non-controlling interests relating to the Company's material subsidiaries disclosed above as at 31 December 2017. There were no material transactions with non-controlling interests during the period to 31 December 2017.

g) Unconsolidated structured entities

The Group is party to several lease agreements with unconsolidated structured entities during the reporting period. These transactions were undertaken to develop operational and financing synergies across the Group. The unconsolidated structured entities are financed by external parties and the Group does not hold any equity interests or assets such as loans or receivables with these entities. The relevant activities of the structured entities are directed by contractual agreements. The entities are controlled by external parties and therefore are not consolidated by the Group.

The Group is only exposed to the variability of returns in relation to return conditions at lease expiry, which are not known at this time. These items are also included at Note 19*: Interest bearing liabilities* and Note 32*: Commitments.*

The table below provides a summary of the Group's exposure to unconsolidated structured entities.

Exposures to unconsolidated structured entities	December 2017 $m	December 2016 $m
Finance lease liabilities	-	0.7
Total on balance sheet liabilities	-	0.7
Operating lease commitments	189.5	189.3
Total liabilities due to unconsolidated structured entities	189.5	190.0

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

h) Parent entity transactions with wholly-owned controlled entities

Transactions with wholly-owned controlled entities were as follows: aggregate amounts receivable: $1,698.4 million (31 December 2016: 2,014.3 million); aggregate amounts payable: $1,226.5 million (31 December 2016: $1,085.2 million); interest received / receivable: $37.4 million (31 December 2016: $23.0 million); interest paid / payable: $19.3 million (31 December 2016: $9.3 million); fees charged: $nil million (31 December 2016: $nil million); dividends received: $nil million (31 December 2016: $nil million); fees paid: $105.0 million (31 December 2016: $100.0 million).

i) Deed of Cross Guarantee

On 28 September 2016, ASIC Class Order 98/1418 dated 13 August 1998 was repealed by ASIC Corporations (Amendment and Repeal) Instrument 2016/914, and ASIC replaced its financial reporting relief for wholly-owned companies with the new ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 ("ASIC Instrument"). The ASIC Instrument applies in relation to a financial year ending on or after 1 January 2017.

Pursuant to the ASIC Instrument, the Company and certain wholly owned subsidiaries entered into the Deed of Cross Guarantee dated 19 December 2016 ("CIMIC Deed") for the principal purpose of enabling these entities to take advantage of relief from the requirements of the Corporations Act to prepare and lodge a financial report, Directors' report and auditor's report ("Financial Reporting Relief") available under the ASIC Instrument for financial years ending 31 December 2016 onwards. The effect of the CIMIC Deed is that the Company guarantees to each creditor payment in full of any debt in the event of the winding up of any of the subsidiaries which are party to the Deed under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the law, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have given similar guarantees in the event the Company or any other subsidiary party to the CIMIC Deed is wound up.

On 19 December 2017, the following UGL group entities which were formerly part of a separate Deed of Cross Guarantee dated 11 May 2000 pursuant to the former ASIC Class Order [CO 98/1418] ("UGL Deed") executed and subsequently lodged with ASIC revocation deeds (one in respect of UGL as the trustee under the UGL Deed, and one in respect of United KG Construction Pty Ltd ACN 060 569 977 as the alternative trustee under the UGL Deed) which will have the effect of revoking the UGL Deed in its entirety with effect 6 months from the date of lodgement with ASIC i.e with effect from 19 June 2018:

- UGL Pty Limited (ACN 009 180 287);
- UGL Engineering Pty Ltd (ACN 096 365 972);
- UGL Operations and Maintenance Pty Ltd (ACN 114 888 201);
- UGL Rail Services Pty Ltd (ACN 000 003 136);
- UGL Operations and Maintenance (Services) Pty Ltd (ACN 010 045 299);
- MTCT Services Pty Ltd (ACN 070 140 251);
- UGL Rail Pty Ltd (ACN 097 323 852);
- UGL Rail (North Queensland) Pty Ltd (ACN 010 491 273);
- United KG Maintenance Pty Ltd (ACN 068 787 128);
- Olympic Dam Maintenance Pty Ltd (ACN 080 664 679);
- United KG Engineering Services Pty Ltd (ACN 004 318 601);
- United KG Construction Pty Ltd (ACN 060 569 977);
- United KG (No. 1) Pty Limited (ACN 055 548 224);
- United KG (No. 2) Pty Ltd (ACN 006 052 400);
- UGL Rail Fleet Services Pty Limited (ACN 090 681 566);
- Inspection Testing & Certification Pty Ltd (ACN 009 310 972);
- United Group International Pty Ltd (ACN 059 986 140);
- United Group Infrastructure (Services) Pty Ltd (ACN 079 343 427);
- UGL (NZ) Limited (NZ 401 728); and
- United Group Infrastructure (NZ) Limited (NZ 379 696),

(the "Released Entities").

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

i) Deed of Cross Guarantee continued

The purpose of the revocation was to effect the removal of the Released Entities from the former UGL Deed structure (i.e. release them from their covenants in respect of the cross-guarantee of group debts).

The following Released Entities subsequently entered into and lodged with ASIC an assumption deed dated 19 December 2017 pursuant to the ASIC Instrument in order to become party to the CIMIC Deed for the purposes of enabling these entities to obtain financial reporting relief under the ASIC Instrument for financial year ended 31 December 2017 (comprising the entities within the UGL group structure which require financial reporting relief):

- UGL Pty Limited (ACN 009 180 287);
- UGL Engineering Pty Ltd (ACN 096 365 972);
- UGL Rail Services Pty Ltd (ACN 000 003 136);
- UGL Operations and Maintenance Pty Ltd (ACN 114 888 201); and
- UGL Operations and Maintenance (Services) Pty Ltd (ACN 010 045 299).

Also on 19 December 2017, the parties to the CIMIC Deed executed and subsequently lodged with ASIC revocation deeds which have the effect of releasing the following two entities from the CIMIC Deed as they no longer require financial reporting relief under the ASIC Instrument:

- Leighton Properties (WA) Pty Limited ACN 132 787 476; and
- Broad Construction Services (NSW/VIC) Pty Ltd ACN 097 831 411.

The purpose of the revocation is to release the above two entities from their covenants under the CIMIC Deed. The revocation takes effect 6 months from the date of lodgement with ASIC i.e. with effect from 19 June 2018.

As a result of the changes described above, the following entities are party to the CIMIC Deed as at 31 December 2017 and seek to rely on financial reporting relief in respect of the financial year ended 31 December 2017:

- CIMIC Group Limited (ACN 004 482 982) (as trustee);
- CIMIC Finance Limited (ACN 002 323 373) (as alternative trustee);
- CIMIC Admin Services Pty Limited (ACN 086 383 977);
- CPB Contractors Pty Limited (ACN 000 893 667);
- Broad Group Holdings Pty Ltd (ACN 052 046 518);
- Broad Construction Services (WA) Pty Ltd (ACN 106 101 893);
- Broad Construction Pty Ltd (ACN 089 532 061);
- Leighton Properties Pty Limited (ACN 009 765 379);
- Leighton Properties (VIC) Pty Limited (ACN 086 206 813);
- UGL Pty Limited (ACN 009 180 287);
- UGL Engineering Pty Ltd (ACN 096 365 972);
- UGL Rail Services Pty Ltd (ACN 000 003 136);
- UGL Operations and Maintenance Pty Ltd (ACN 114 888 201); and
- UGL Operations and Maintenance (Services) Pty Ltd (ACN 010 045 299).

On 28 December 2017, Sedgman Pty Limited and its wholly-owned subsidiaries executed and subsequently lodged with ASIC revocation deeds which have the effect of revoking the Deed of Cross Guarantee dated 26 April 2007 (Sedgman Deed) in its entirety 6 months from the date of lodgement with ASIC i.e. with effect from 28 June 2018. The purpose of the revocation was to effect the removal of all entities which were party to the Sedgman Deed as they no longer require financial reporting relief.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

i) Deed of Cross Guarantee continued

A consolidated statement of profit or loss and statement of financial position, comprising the Company and entities which are a party to the Deed of Cross Guarantee dated 19 December 2016 (referred to as the CIMIC Deed above), after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 December 2017 is set out below:

Deed of Cross Guarantee	12 months to December 2017 $m	12 months to December 2016 $m
Statement of Profit or Loss		
Profit / (loss) before tax	678.1	480.5
Income tax (expense) / benefit	(194.8)	(119.9)
Profit / (loss) for the period	483.3	360.6
Retained earnings brought forward	4,102.3	4,062.2
Retained earnings brought forward - adjustment for new entities party to the Deed of Cross Guarantee	50.8	-
Retained earnings brought forward - adjustment for entities removed from the Deed of Cross Guarantee	(53.2)	-
Dividends paid	(395.6)	(320.5)
Retained earnings at reporting date	4,187.6	4,102.3

Notes to the Consolidated Financial Statements

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38. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

i) Deed of Cross Guarantee continued

Deed of Cross Guarantee	December 2017 $m	December 2016 $m
Statement of Financial Position		
Assets		
Cash and cash equivalents	1,018.4	611.0
Trade and other receivables	2,559.4	1,839.3
Inventories: consumables and development properties	40.1	20.5
Assets held for sale	31.2	37.2
Total current assets	3,649.1	2,508.0
Trade and other receivables	4,039.7	4,945.4
Inventories: development properties	-	2.3
Investments	1,537.7	1,664.9
Property, plant and equipment	170.0	151.3
Intangibles	413.7	113.7
Total non-current assets	6,161.1	6,877.6
Total assets	9,810.2	9,385.6
Liabilities		
Trade and other payables	3,181.4	2,447.8
Current tax liabilities	31.0	36.9
Provisions	151.4	87.2
Interest bearing liabilities	219.0	119.2
Total current liabilities	3,582.8	2,691.1
Trade and other payables	746.9	1,275.9
Provisions	45.7	44.4
Interest bearing liabilities	232.3	109.7
Deferred tax liabilities	252.2	264.8
Total non-current liabilities	1,277.1	1,694.8
Total liabilities	4,859.9	4,385.9
Net assets	4,950.3	4,999.7
Equity		
Share capital	1,750.3	1,750.3
Reserves	(987.6)	(852.9)
Retained earnings	4,187.6	4,102.3
Total equity	4,950.3	4,999.7

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

39. NEW ACCOUNTING STANDARDS

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application. The Group is required to disclose known or reasonably estimable information relevant to assessing the possible impact that the application of the new accounting standard will have on the Group's financial statements.

The Group's preliminary assessment of the impact of new standards and interpretations is set out below:

a) AASB 9 Financial Instruments

AASB 9 *Financial Instruments (revised December 2014)* and AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. It also carries forward guidance on recognition and de-recognition of financial instruments from AASB 139. The standard will become mandatory for reporting periods beginning on or after 1 January 2018. The Group does not intend to early adopt the standard. Retrospective application is required with some exceptions. Restatement of comparatives is not required, however, the comparative period can be restated if it can be done so without the use of hindsight.

Accordingly, the Group has undertaken an assessment of the classification and measurement impacts of the new standard and estimated the following impacts:

- the Group does not expect the new standard to have a significant impact on the classification of its financial assets;
- the Group does not hold any financial liabilities at fair value through profit or loss and as such there is no impact of the new standard on financial liabilities;
- as a general rule more hedge relationships may be eligible for hedge accounting. Existing hedge relationships would appear to qualify as continuing hedge relationships upon adoption of the new standard;
- AASB 9 will require extensive new disclosures, in particular surrounding hedge accounting, credit risk and expected credit losses;
- an adjustment in reserves attributable to CIMIC shareholders and to non-controlling interest to the opening balance at 1 January 2018 will be recognised. The change in method from recognition of incurred losses to recognition of expected credit losses for impairment of financial assets, might lead to a currently estimated adjustment reducing equity by around $500 million (after tax) with regards to the non-current loan receivables from HLG Contracting. External independent advice has been utilised in determining the estimated expected credit loss on application of AASB 9;
- in addition to the above management are currently assessing whether any specific project finance obligations would require the recognition of expected credit losses; and
- otherwise the increase in the loss allowance on financial assets is not expected to be significant.

b) AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers*, AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*, AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*, and AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*

AASB 15 establishes a comprehensive framework for determining the timing and quantum of revenue recognised. It replaces existing guidance, including AASB 118 *Revenue* and AASB 111 *Construction Contracts*. The core principle of AASB 15 is that an entity shall recognise revenue when control of a good or service transfers to a customer. This standard will become mandatory for reporting periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

CIMIC Group has operations across different industry sectors and geographical locations which are subject to different legal and contractual frameworks. The Group has therefore coordinated with the different operating companies and project teams from across the business to assess the potential impacts of the new standard on the business units of the Group.

Significant judgments and estimates are used in determining the impact, such as the assessment of the probability of customer approval of variations and acceptance of claims, estimation of project completion date and assumed levels of project execution productivity. In making this assessment we have considered, for applicable contracts, the individual status of legal proceedings, including arbitration and litigation. The implementation project is ongoing and therefore all impacts are current estimates which are subject to finalisation prior to final implementation.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

39. NEW ACCOUNTING STANDARDS CONTINUED

b) AASB 15 Revenue from Contracts with Customers continued

Controlled Entities

Construction revenue

The contractual terms and the way in which the Group operates its construction contracts is predominantly derived from projects containing one performance obligation. Contracted revenue will continue to be recognised over time, however the new standard provides new requirements for variable consideration such as incentives, as well as accounting for claims and variations as contract modifications which all impart a higher threshold of probability for recognition. Revenue is currently recognised when it is probable that work performed will result in revenue whereas under the new standard, revenue is recognised when it is highly probable that a significant reversal of revenue will not occur for these modifications.

Mining & mineral processing revenue

Revenue from mining contracts and mineral processing is predominantly recognised on the basis of the value of work completed.

There are several stages in mine development and production that are dependent on the contract terms which could represent separate performance obligations. Under AASB 15, revenue is required to be allocated to each performance obligation and recognised as the performance obligations have been achieved which can be at a point in time or over time. The appropriate allocation of revenue may result in a change in the timing of revenue recognition that may be accelerated or deferred on contracts compared to current recognition timing, however this is currently not expected to be material to the Group.

Services revenue

Services revenue arises from maintenance and other services supplied to infrastructure assets and facilities which may involve a range of services and processes. Under AASB 15, these are predominantly to be recognised over time with reference to inputs on satisfaction of the performance obligations.

The services that have been determined to be one performance obligation are highly inter-related and fulfilled over time therefore revenue continues to be recognised over time. As with construction revenue, incentives, variations and claims exist which are subject to the same higher threshold criteria of only recognising revenue to the extent it is highly probable that a significant reversal of revenue will not happen.

Tender costs & contract costs

Currently under AASB 111 *Construction Contracts*, costs incurred during the tender process are capitalised within net contract debtors when it is deemed probable the contract will be won. Under the new standard costs can only be capitalised if they are both expected to be recovered and either would not have been incurred if the contract had not been won or if they are intrinsic to the delivery of a project.

Other contract costs and fulfilment costs are not expected to be material.

Conclusion

The expectation is that the above adjustments, across all controlled entities, are accounted for as a cumulative catch up on the original contract under AASB 15. Whilst the Group's analysis is still on going, based on the current assessment an adjustment in reserves attributable to CIMIC shareholders and to non-controlling interest to the opening balance at 1 January 2018 will be recognised.

The higher recognition thresholds in the new standard might lead to a currently estimated adjustment reducing equity by around $650 million (after tax).

Joint Ventures - HLG Contracting ("HLG")

As HLG is accounted for as an equity method joint venture, the book carrying value of CIMIC's investment in HLG reflects the Group's share of HLG's operating results, including HLG's recognition of Construction revenue through the Group's recognition of its share of HLG's profit or losses. While HLG is a non-controlled entity, CIMIC has performed an analysis of the impact that might be expected due to the adoption of AASB 15, based on the information currently available to CIMIC as a shareholder of HLG and applying consistent recognition criteria as outlined in "Construction revenue". As HLG is a jointly controlled investment, CIMIC does not exert the same degree of control over HLG's implementation project as it does over its own and therefore this estimate of the projected impact is subject to a higher degree of estimation uncertainty. Based on this analysis, an adjustment to HLG's book value, which will also be reflected in CIMIC's equity to the opening balance at 1 January 2018 will be recognised. The higher recognition threshold in the new standard might lead to a currently estimated adjustment reducing equity by around $250 million (after tax).

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

39. NEW ACCOUNTING STANDARDS CONTINUED

b) AASB 15 Revenue from Contracts with Customers continued

Transition

The Group plans to adopt AASB 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result under AASB 15 there will be an adjustment to the opening balance of the Group's equity.

c) Other impacts of AASB 9 and AASB 15

Tax impacts

Adjustments under the new standards are subject to tax effect accounting and therefore the net deferred tax position will also be impacted, notwithstanding the finalisation of all adjustments. Adopting the new standards might lead to a currently estimated increase of the Group's net deferred tax assets of around $100 million. The equity reductions as discussed in Notes 39 a) and 39 b) are after tax estimations and as such already take into account this tax impact.

Impact on cash flows and guidance

Adjustments arising on application of AASB 9 and AASB 15 are not expected to have an impact on the cash flows to be derived by the CIMIC Group.

Net profit after tax guidance for 2018 takes into account the application of the new accounting stadards.

d) AASB 16 Leases

AASB 16 *Leases* specifies how to recognise, measure and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise right-of-use assets and lease liabilities for almost all leases. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. AASB 16 applies to annual reporting periods beginning on or after 1 January 2019 and replaces AASB 117 *Leases* and the related interpretations.

As at the reporting date, the Group has non-cancellable operating lease commitments of $950.8 million, refer to Note 32: *Commitments*. The Group manages its owned and leased assets to ensure there is an appropriate level of equipment to meet its current obligations and to tender for new work. The decision as to whether to lease or purchase an asset is dependent on a broad range of considerations at the time including financing, risk management and operational strategies following the anticipated completion of a project.

Some of the operating leases currently held expire prior to the implementation of the standard and decisions on future leases will be made as projects are tendered for. As such the Group has not finalised its quantification of the effect of the new standard, however the following impacts are expected:

- the total assets and liabilities on the balance sheet will increase with a decrease in total net assets, due to the reduction of the capitalised asset being on a straight line basis whilst the liability reduces by the principal amount of repayments. Net current assets will show a decrease due to an element of the liability being disclosed as a current liability;
- the straight-line operating lease expense will be replaced with a depreciation charge for the right-of-use assets and interest expense on lease liabilities;
- interest expenses will increase due to the unwinding of the effective interest rate implicit in the lease. Interest expense will be greater earlier in a leases life due to the higher principal value causing profit variability over the course of a lease life. This effect may be partially mitigated due to a number of leases held in the Group at different stages of their terms; and
- repayment of the principal portion of all lease liabilities will be classified as financing activities.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2017

39. NEW ACCOUNTING STANDARDS CONTINUED

e) Other new accounting standards

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- AASB 2014-10 *Amendments to Australian Accounting Standards: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture;*
- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments;*
- AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration; and*
- AASB Interpretation 23 Uncertainty Over Income Tax Treatments , AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments.

40. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to reporting date:

- The Group determined a 100% franked dividend of 75 cents per share to be paid on 4 July 2018.
- The Directors approved the financial report on 6 February 2018.

Statutory Statements

DIRECTORS' DECLARATION

1. In the opinion of the Directors of CIMIC Group Limited ("the Company"):

   a) The financial statements and notes, set out on pages 159-255, are in accordance with the *Corporations Act 2001*, including:

      i) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 31 December 2017 and of their performance for the financial year ended on that date; and

      ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

   b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the controlled entities identified in Note 38 to the financial statements will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Instrument 2016/785.

3. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the CEO and CFO for the financial year ended 31 December 2017.

4. The Directors draw attention to Note 1 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Sydney this 6th day of February 2018.

Signed for and on behalf of the Board in accordance with a resolution of the Directors:

Michael Wright
Chief Executive Officer and Managing Director

Russell Chenu
Chairman Audit and Risk Committee

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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Independent Auditor's Report to the members of CIMIC Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of CIMIC Group Limited ("CIMIC", or the "Company") and its subsidiaries (the "Group"), which comprises the Consolidated Statement of Financial Position as at 31 December 2017, the Consolidated Statement of Profit or Loss, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Recognition of construction revenue and recovery of related contract debtors including recovery of Gorgon LNG Jetty and Marine Structures Project contract debtors	
Refer to Note 1(a) 'Revenue recognition', Note 2 'Revenue' and Note 8 'Trade and other receivables'. As disclosed in Note 1(a), construction revenues are recognised based on the stage of completion. This is measured as the percentage of work performed up to the reporting date with respect	Our procedures included, amongst others: • Evaluating management's processes and controls in respect of the recognition of construction revenue. As part of this process we tested key controls including:

to the total anticipated contract work to be performed. Construction revenue is recognised by management after assessing all factors relevant to each contract, including specifically assessing the following as applicable:

- Determination of stage of completion;
- Estimation of total contract revenue and costs including the estimation of cost contingencies;
- Determination of contractual entitlement and assessment of the probability of customer approval of variations and acceptance of claims; and
- Estimation of project completion date.

The Group recognises in contract debtors progressive valuation of work completed as well as amounts invoiced to customers. The recognition of these amounts is based on management's assessment of the expected amounts recoverable.

In November 2009, CIMIC, together with its consortium partners ("the Consortium"), was announced as the preferred contractor to construct the Gorgon LNG Jetty and Marine Structures Project ("Gorgon Contract") for Chevron Australia Pty Ltd ("Chevron"). Initial acceptance of the jetty and marine structures took place on 15 August 2014.

During the project, changes to scope and conditions led to the Consortium submitting Change Order Requests ("CORs") as entitled under the contract. The Consortium, Chevron and Chevron's agent KBR Inc. remain in negotiations in relation to the validity and valuation of some of the CORs.

As at 31 December 2017, contract debtors include an amount of $1.15 billion in relation to the Gorgon Contract. CIMIC has only recognised revenue in prior reporting periods equal to the costs incurred in respect of the Gorgon Contract in accordance with the relevant accounting standards.

On 9 February 2016, although negotiations continued, the Consortium formally issued a Notice of Dispute to Chevron pursuant to the relevant provisions of the Gorgon Contract and moved into an arbitration prescribed by the contract.

Since December 2016 the arbitration has continued in accordance with the contractual terms. The Arbitrators have been appointed and have made orders for the conduct of the proceedings and it is anticipated that the hearings will be in 2019 with a determination thereafter.

In order to further pursue its entitlement under the Gorgon Contract, on 20 August 2016 CIMIC announced that it had also commenced proceedings in the United States against Chevron

  - the review process conducted at the tendering phase by the Group's Tender Review Management Committee;
  - the preparation, review and authorisation of monthly valuation reports for all contracts; and
  - the comprehensive project reviews that are undertaken by Group management on a quarterly basis.
- Visiting a sample of sites across the Group's major divisions and geographies to enhance our understanding of the Group's contracting processes, the consistency of their application, and to discuss directly with project management the risks and opportunities in relation to individual contracts.
- Selecting a sample of contracts for testing based on a number of quantitative and qualitative factors which may indicate that a greater level of judgement is required in recognising revenue, including:
  - history of issues identified;
  - significant unapproved changes, variations and claims;
  - delay risk;
  - high potential impact and high likelihood of risk events;
  - material new contracts;
  - high value contracts; and
  - loss making contracts.
- For the contracts selected the following procedures were performed, amongst others:
  - obtaining an understanding of the contract terms and conditions to evaluate whether these were reflected in management's estimate of forecast costs and revenue;
  - testing a sample of costs incurred to date and agreeing these to supporting documentation;
  - assessing the forecast costs to complete through discussion and challenging of project managers and finance personnel;
  - testing contractual entitlement for changes, variations and claims recognised within contract revenue to supporting documentation and by reference to the underlying contract;
  - evaluating significant exposures to liquidated damages for late delivery of contract works;
  - evaluating contract performance in the period since year end to audit opinion date to confirm management's year end revenue recognition judgements; and
  - evaluating the probability of recovery of outstanding amounts by reference to the status of contract negotiations, historical recoveries and other supporting documentation.
- In respect of the Gorgon Contract, the following procedures were performed:

Corporation Inc., KBR Inc. and related companies. We focused on recognition of construction revenue and recovery of related contract debtors including recovery of Gorgon LNG Jetty and Marine Structures Project contract debtors as key audit matters due to the number and type of estimation events over the course of a contract life, the unique nature of individual contract terms leading to complex and judgemental revenue recognition from contracts and the judgement involved in evaluating the probability of recovery of contract debtors.	- evaluating the probability and timing of recovery of outstanding amounts by reference to the status of contract negotiations, the status of the arbitration process, the status of legal proceedings and other supporting documentation; - enquiring of management, internal legal counsel and management appointed external legal counsel in respect of the current status of negotiations; - enquiring of internal legal counsel of status of proceedings in the United States courts against Chevron Corporation and KBR Inc.; - reading documents submitted into the arbitration process and enquiring of management, internal legal counsel and management appointed external legal counsel in respect of the current status of the arbitration process; and - assessing the appropriateness of the relevant disclosures in the financial statements.

Recoverability of carrying value of investment in and loans receivable from HLG Contracting LLC
 	
Refer to Note 26 'Joint Venture Entities – HLG Contracting LLC ("HLG")' and Note 8 'Trade and other receivables'.
 	
Included in the Group's consolidated statement of financial position at 31 December 2017 is the equity accounted investment in HLG at a carrying value of $245.6 million and loans (including interest) receivable from HLG totalling $1.05 billion.
 	
The assessment of the recoverable amount of the Group's investment in and loans receivable from HLG involves significant judgement in respect of assumptions such as discount rates, current work in hand, future contract wins and the recoverability of certain legacy contract receivables, as well as economic assumptions such as growth rate and foreign currency exchange rates.
 	
We focused on this area as a key audit matter due to the judgement involved in forecasting future cash flows and the selection of assumptions.
	In conjunction with valuation experts, our procedures included, amongst others:
	• Evaluating the 'value in use' discounted cash flow model developed by management to assess the recoverable amount of the investment and the loans receivable, including critically assessing the following assumptions:
	  - discount rate;
	  - forecast cash flows and capital expenditure;
	  - forecast recoverability of certain legacy contract receivables;
	  - terminal growth rate; and
	  - foreign currency exchange rates.
	
	We corroborated market related assumptions in respect of discount rate and foreign currency exchange rates by reference to external data.
	• Testing on a sample basis the mathematical accuracy of the cash flow models.
	• Comparing the HLG prepared business plan to forecasts in the cash flow models.
	• Performing sensitivity analysis on a number of assumptions, including the deferral of cash receipts on certain legacy contract receivables and on revenue assumptions.
	• Assessing the appropriateness of the relevant disclosures in the financial statements.

Carrying value of construction goodwill Refer to Note 15 'Intangibles'. Included in the Group's consolidated statement of financial position at 31 December 2017 is goodwill relating to Construction of $448.1 million. Management has assessed the recoverable amount of the goodwill relating to Construction	In conjunction with valuation experts, our procedures included, amongst others: • Evaluating the 'value in use' discounted cash flow model developed by management to assess the recoverable amount of the goodwill, including critically assessing the following assumptions:

utilising discounted cash flow models which incorporate significant judgement in respect of assumptions such as discount rates and future contract wins, as well as economic assumptions such as growth rates. We focused on this area as a key audit matter due to the judgement involved in forecasting future cash flows and the selection of assumptions.	- discount rate; - forecast cash flows and capital expenditure; - growth rates by reference to recent bid wins and pipeline of prospective projects; and - terminal growth rate. We corroborated market related assumptions in respect of the discount rate by reference to external data. • Testing on a sample basis the mathematical accuracy of the cash flow model • Agreeing relevant data to the latest Board approved forecasts. • Assessing the historical accuracy of forecasting of the Group in relation to cash flows of cash generating units. • Performing sensitivity analysis on a number of assumptions, including discount rate and forecast profitability. • Assessing the appropriateness of the relevant disclosures in the financial statements.

Other Information

The directors are responsible for the other information within the Company's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group’s audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 61 to 74 of the Directors' Report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of CIMIC Group Limited, for the year ended 31 December 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

J A Leotta
Partner
Chartered Accountants
Sydney, 6 February 2018

Photo: Columbarium and Garden of Remembrance, Hong Kong, Leighton Asia.

Additional Information

Shareholdings

The information below is current as at 23 January 2018.

TWENTY LARGEST SHAREHOLDERS

The 20 largest shareholders on the Company's register of members held 93.14% of the Company's issued capital.

Name	No. of shares	% of issued capital
HOCHTIEF AUSTRALIA HOLDINGS LIMITED	235,661,965	72.68
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	32,856,170	10.13
J P MORGAN NOMINEES AUSTRALIA LIMITED	13,999,668	4.32
CITICORP NOMINEES PTY LIMITED	8,613,752	2.66
NATIONAL NOMINEES LIMITED	3,380,086	1.04
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING COLLATERAL>	1,230,000	0.38
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	1,073,664	0.33
BNP PARIBAS NOMS PTY LTD <DRP>	1,063,654	0.33
MILTON CORPORATION LIMITED	791,239	0.24
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	756,309	0.23
AMP LIFE LIMITED	561,779	0.17
GWYNVILL INVESTMENTS PTY LIMITED	427,188	0.13
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	326,809	0.10
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	275,372	0.08
GWYNVILL TRADING PTY LIMITED	244,791	0.08
SBN NOMINEES PTY LIMITED <10004 ACCOUNT>	230,100	0.07
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	153,065	0.05
NATIONAL NOMINEES LIMITED <DB A/C>	143,237	0.04
MR JONATHAN LEIGHTON STANLEY ELLIS	138,150	0.04
BNP PARIBAS NOS (NZ) LTD <DRP>	93,903	0.03
Total	**302,020,901**	**93.14**
Total shares on issue	**324,254,097**	**100**

DISTRIBUTION SCHEDULE

The Company has 324,254,097 ordinary shares on issue. The distribution of shareholders is as follows:

Size of shareholding	No. of holders	Ordinary shares held	% of issued capital
1 – 1,000	25,354	6,391,523	1.97
1,001 – 5,000	4,377	8,891,293	2.74
5,001 – 10,000	402	2,813,861	0.87
10,001 – 100,000	193	4,239,035	1.31
100,001 and over	19	301,918,385	93.11
Total	**30,345**	**324,254,097**	**100**

The voting rights for ordinary shares are as follows: on a show of hands every member present in person or by proxy or attorney or duly appointed representative has one vote, and on a poll every member so present has one vote for every fully paid share held by that member.

There were 591 shareholders with less than a marketable parcel (11 shares), based on the closing market price of $48.41 on 23 January 2018.

SUBSTANTIAL SHAREHOLDERS

The names of the substantial shareholders and the number of equity securities to which they have a relevant interest, as disclosed in substantial holding notices given to the Company under the Corporations Act are:

Name	No. of shares	Voting power
HOCHTIEF Australia Holdings Limited and its associates	235,668,760*	71.88%

*Number of shares as at 29 July 2016, the date of disclosure in the substantial shareholding notice given to the Company.

SHARE RIGHTS

The Company has zero share rights on issue.

OPTIONS

The Company has 311,088 options on issue. The distribution is as follows:

Size of holding	No. of holders	Options
1 – 1,000	-	-
1,001 – 5,000	8	32,023
5,001 – 10,000	8	52,179
10,001 – 100,000	10	226,886
100,001 and over	-	-
Total	**26**	**311,088**

The options do not carry any rights to voting.

Shareholder information

ENQUIRIES AND SHARE REGISTRY

If you have any questions about your shareholding, dividend payments, tax file number, change of address or any other enquiry, please contact Computershare Investor Services Pty Limited:

- Telephone: 1300 850 505 (local) or +61 3 9415 4000 (international)
- Fax: (03) 9473 2500 (local) or +61 3 9473 2500 (international)
- Email: www.investorcentre.com/contact
- Post: GPO Box 2975, Melbourne, VIC, 3001, Australia

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Fax: +61 2 9925 6000
Website: www.cimic.com.au

TAX FILE NUMBERS

Since 1 July 1991, all companies have been obliged to deduct tax at the top marginal rate from unfranked dividends paid to investors resident in Australia who have not supplied them with a tax file number or exemption particulars. Tax will not be deducted from the franked portion of a dividend.

If you have not already done so, a Tax File Number Notification form or Tax File Number Exemption form should be completed for each holding and returned to our Share Registrar, Computershare Investor Services Pty Limited. Please note you are not required by law to provide your tax file number if you do not wish to do so.

SECURITIES EXCHANGE LISTINGS

CIMIC's shares are listed on the ASX and are traded under the stock code 'CIM'. The ASX home branch is Sydney, Australia. A Subsidiary, CIMIC Finance (USA) Pty Limited, has notes on issue which are listed on the Singapore Exchange.

YEAR-ON-YEAR PERFORMANCE SNAPSHOT

The five-year performance of the Group is set out in a table within the 'Company Performance' section of the Remuneration Report.

CORPORATE GOVERNANCE STATEMENT

The CIMIC Group corporate governance statement is available on our website, in the section titled Corporate Governance (www.cimic.com.au/our-approach/corporate-governance).

ANNUAL GENERAL MEETING

The 57th Annual General Meeting of the members of CIMIC will be held in the Wentworth Ballroom, Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney, New South Wales on 13 April 2018. Shareholders will be notified of the meeting and any resolutions in accordance with the Corporations Act.

SHAREHOLDER COMMUNICATIONS

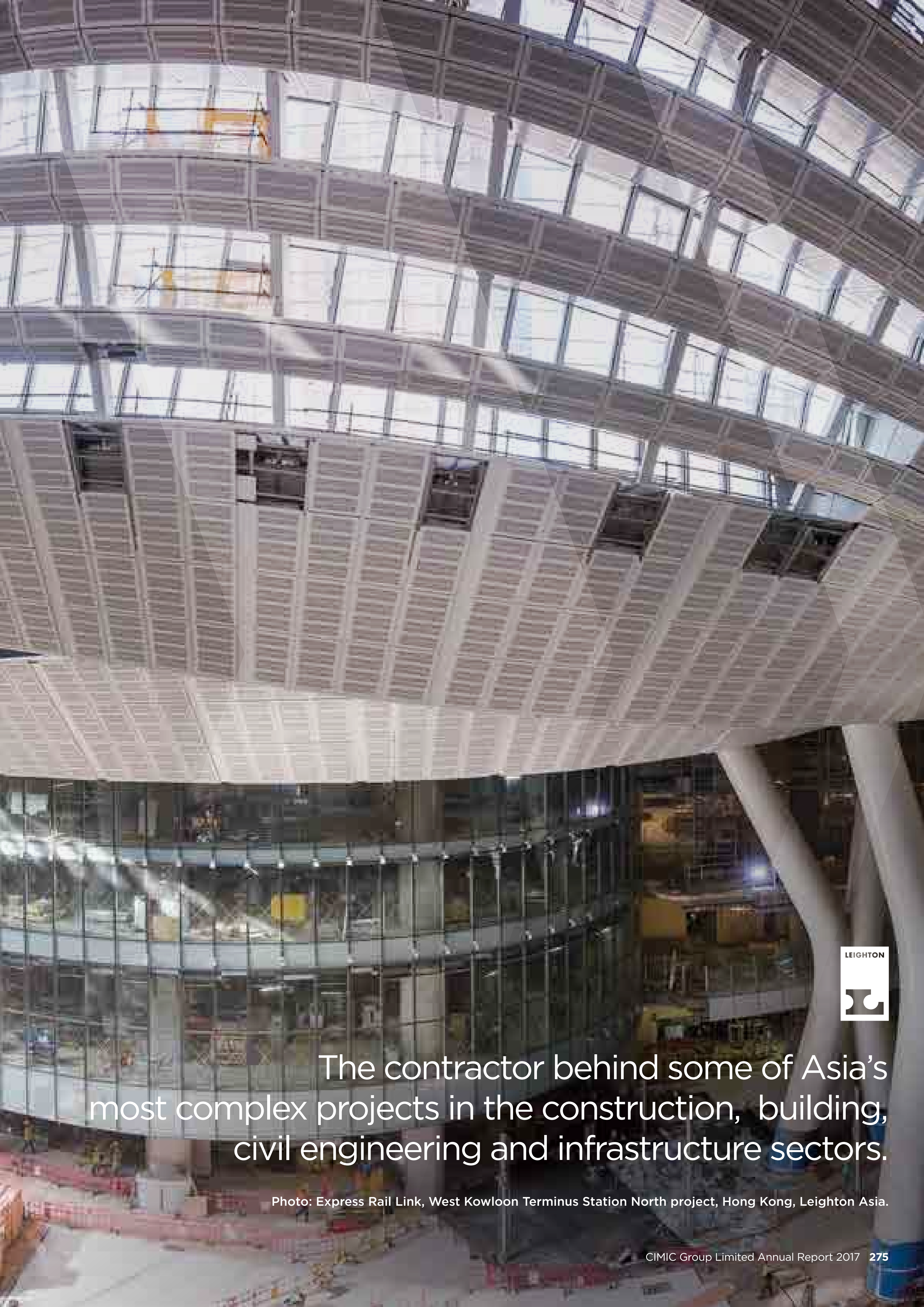
Shareholder communications, including this Annual Report, are available on our website (www.cimic.com.au). CIMIC encourages shareholders to receive notification of all communications by email. Printed copies of shareholder communications are available on request by contacting +61 2 9925 6666 or visiting our website: www.cimic.com.au/enquiries-form.

Glossary

Term	Description
2Q17	Second quarter of the 2017 Financial Year
3Q17	Third quarter of the 2017 Financial Year
4Q17	Fourth quarter of the 2017 Financial Year
2016 Financial Year or FY16	Financial year ending 31 December 2016
2017 Financial Year or FY17	Financial year ending 31 December 2017
FY18	Financial year ending 31 December 2018
A$ or $	Australian dollars, unless otherwise stated
AASB	Australian Accounting Standards Board
Above-the-line	Higher order controls such as engineering and design controls, rather than personal protective equipment or administrative controls, which aim to improve safety outcomes
ACS or ACS Group	Actividades de Construcción y Servicios S.A.
AGM or Annual General Meeting	Annual General Meeting of CIMIC's shareholders
Alternate Director	Alternate Director of CIMIC
ASIC	Australian Securities and Investments Commission
AS/NZ	Denotes a standard created by Standards Australia
ASX	ASX Limited
ASX Principles and Recommendations	ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition)
Australian Accounting Standards	Australian Accounting Standards developed, issued and maintained by the AASB
BIM	Building Information Modelling, a digital representation of physical and functional characteristics of a facility
Board	Board of directors of CIMIC
Broad Construction	Broad Construction is a new-build, fit-out and refurbishment construction contractor wholly owned by CPB Contractors
CDP	A not-for-profit that runs the global disclosure system CDP (formerly the 'Carbon Disclosure Project')
CEO	Chief Executive Officer
CEO and Managing Director	CEO and Managing Director of CIMIC
CFO	Chief Financial Officer of CIMIC
Class 1 Injury	A fatality or injury that permanently affects the future of a worker. e.g. quadriplegia, paraplegia, loss of eyesight
CO2-e or Carbon dioxide equivalent	Is a term for describing different greenhouse gases in a common unit
Code of Conduct	CIMIC Group Code of Conduct
Committee	Any Board/management committee of the Company from time to time
Company or CIMIC	CIMIC Group Limited
Constitution	Constitution of CIMIC Group Limited
Corporations Act	*Corporations Act 2001* (Cth)
Corruption Perceptions Index	An annual ranking, published since 1995 by Transparency International (TI) of countries "by their perceived levels of corruption, as determined by expert assessments and opinion surveys"
CPB Contractors or CPB	CPB Contractors Pty Ltd
Deferred Right	An entitlement to a Share subject to satisfaction of applicable conditions (including service based vesting conditions)
Deputy CEO	Deputy Chief Executive Officer of CIMIC
Deloitte	Deloitte Touche Tohmatsu
Devine	Devine Limited
Director	Director of CIMIC
DJSI	Dow Jones Sustainability Index
DJSI Australia Index	Dow Jones Sustainability Australia Index
Dragados	Is an international contractor established in 1941 and is the construction arm of the ACS Group specialising in major infrastructure projects
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation

EIC Activities	EIC Activities Pty Ltd
EIP	The CIMIC Equity Incentive Plan approved by shareholders at the 2012 AGM, under which the STI and LTI programs are administered
EPS	Earnings per share
ESA	Executive service agreement
ESG	Environmental, Social and Governance
FleetCo	The Company's mining equipment hire business
Former Director	Former Director of CIMIC
FTSE4Good Index	The FTSE4Good Index measures the performance of companies demonstrating strong environmental, social and governance practices.
FY	Financial year
GIS	Geographic Information Systems capture, store, manipulate, analyse, manage, and present spatial or geographical data
Graduate	A member of the Graduate Program
Graduate Program	CIMIC Group Graduate Program
GRI	The Global Reporting Initiative
Green Standard projects	Refers to nationally or international recognised rating systems for infrastructure projects, such as ISCA and Greenroads, and for building projects such as the Green Star and LEED.
Group or CIMIC Group	CIMIC Group Limited and certain entities it controls
HAZOP	A hazard and operability study (HAZOP) is a structured and systematic examination of a complex planned or existing process or operation in order to identify and evaluate problems that may represent risks to personnel or equipment
HLG Contracting or HLG	HLG Contracting LLC (previously known as Al Habtoor Leighton LLC)
HOCHTIEF Australia	HOCHTIEF Australia Holdings Limited, a wholly owned subsidiary of HOCHTIEF AG
HOCHTIEF or HOCHTIEF AG	HOCHTIEF Aktiengesellschaft
Independent Non-executive Director	Independent Non-executive Director of CIMIC
ISCA	Infrastructure Sustainability Council of Australia
ISO	Denotes a standard of the International Organisation for Standardisation
John Holland or JHG	John Holland Group Pty Limited, a former wholly owned subsidiary of CIMIC
John Holland sale	In December 2014, the Group announced the successful divestment of JHG to CCCC International Holding Limited. Completion of the sale occurred on 20 April 2015
JV	Joint venture
KMP	Key Management Personnel as defined in AASB 124 *Related Party Disclosures*
KPI	Key performance indicators
Leighton Asia	Leighton Asia Limited
Leighton India	Leighton India Contractors Private Limited
Leighton International	A controlled entity of CIMIC that is responsible for the Group's offshore oil and gas business
LNG	Liquefied natural gas
LTI	Long-Term Incentive
Macmahon	Macmahon Holdings Limited
Moody's	Moody's Investors Service
Nextgen	A network and data centre telecommunications company
NGER Scheme	National Greenhouse and Energy Reporting Scheme which operates under the *National Greenhouse and Energy Reporting Act 2007* (Cth)
NGO	Non-governmental organisation that is independent from states and international governmental organisations
NPAT	Net profit after tax
Non-executive Director	Non-executive Director of CIMIC
Operating Companies	CPB Contractors Pty Limited & Leighton Asia Limited, Leighton India Contractors Private Limited, Leighton Offshore, Thiess Pty Ltd, Sedgman Pty Limited, UGL Pty Limited, Pacific Partnerships Pty Ltd, EIC Activities Pty Ltd and Leighton Properties Pty Limited
Pacific Partnerships or PP	Pacific Partnerships Pty Ltd
PBT	Profit before tax
Performance Right	An entitlement to a Share subject to satisfaction of applicable conditions (including performance based vesting conditions)
Potential Class 1 Injury or PC1	An incident that has the potential to be a Class 1 Injury as classified by the Managing Director of that business or an Executive General Manger

PPP	Public private partnership
Principles	The CIMIC Group Limited Principles of integrity, accountability, innovation underpinned by safety.
Safety Essentials	A collection of minimum requirements that are focused on providing projects with the rules, tools and knowledge to manage activities that pose the greatest risk to our people
SAR	Share appreciation right
Sedgman	Sedgman Pty Limited
Special Committee	Any special committee of the Company from time to time
S&P	Standard & Poor’s
STI	Short-term incentive
Subsidiary	Subsidiary of the Company as defined in the Corporations Act
SDG	2030 Agenda for Sustainable Development and the Sustainable Development Goals
TFR	Total Fixed Remuneration
Thiess	Thiess Pty Ltd
TRIFR	Total recordable injury frequency rate
TSR	Total shareholder return
Turner	A North America-based, international construction services company and a leading builder in diverse market segments that is wholly owned by HOCHTIEF AG
UGL or Services	UGL Pty Limited
Ventia	50:50 Partnership for CPB Contractors’ and Thiess’ operations and maintenance services businesses with certain funds managed by affiliates of Apollo Global Management, LLC. Completion of the transaction occurred on 31 March 2015, with the business now operating under the name ‘Ventia’
VWAP	Volume weighted average price



The contractor behind some of Asia's most complex projects in the construction, building, civil engineering and infrastructure sectors.

Photo: Express Rail Link, West Kowloon Terminus Station North project, Hong Kong, Leighton Asia.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SEDGMAN

A market leader in the design, construction and operation of mineral processing plants and associated minesite infrastructure.

Photo: Sonoma Operations team, Sonoma Mine, Collinsville, Queensland, Australia, Sedgman.

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