Annual Report 2019

CIMIC

"CIMIC Group is an engineering-led construction, mining, services and public private partnerships leader with a history dating back to 1899.

Sydney Metro City & Southwest
CPB Contractors, Pacific Partnerships and UGL supported by EIC Activities, New South Wales, Australia

Executive Chairman's review

Marcelino Fernández Verdes
Executive Chairman

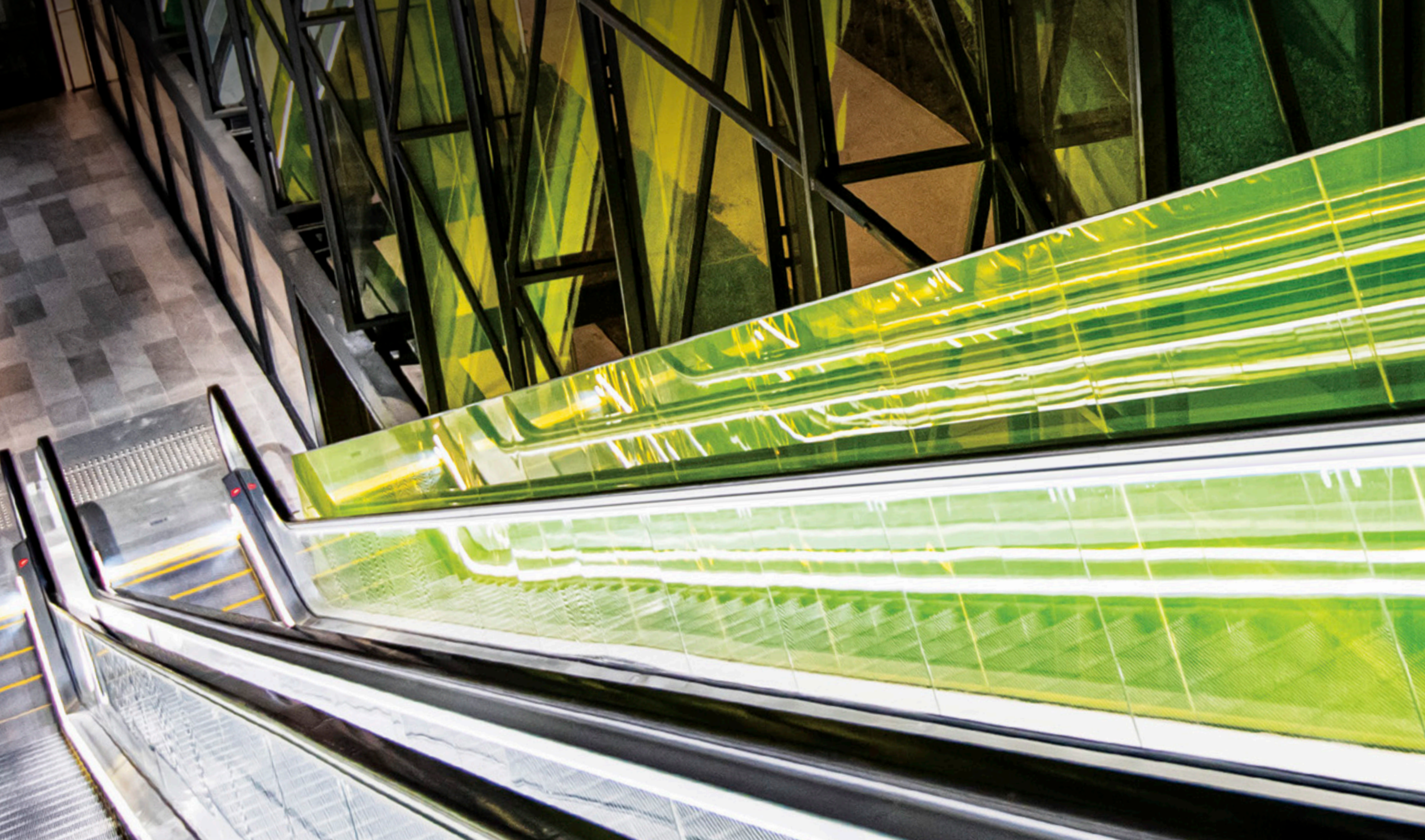
Dear shareholders, CIMIC Group has a long-held objective of generating sustainable returns for shareholders, as we deliver projects for our clients while providing safe, rewarding and fulfilling careers for our people. In 2019, our core operations of construction, mining and mineral processing, services and public private partnerships (PPPs) advanced our progress on this aim, achieving robust operating performances.

We continued to win new work and deliver positive outcomes for our clients. Our operating companies achieved improved returns, with net profit after tax (NPAT) (excluding the one-off impact from BIC Contracting (BICC)[1]) up 3% on 2018 to $800 million.

Our decision to exit our financial investment in the Middle East will allow us to focus our resources and capital allocation on the growth opportunities in our core markets in Australia, New Zealand and Asia Pacific.

The one-off post tax impact of $(1.8) billion associated with this decision has resulted in statutory NPAT of $(1.0) billion. Consequently, we have not declared a final dividend for 2019. Notwithstanding this non-recurring impact on our 2019 financial results, leaving the region is the appropriate long-term decision for our business and for our shareholders.

* see page 13 for footnotes



Looking forward, our prospects are positive, and we are confident about the outlook for our business and our markets, with work in hand[2] of $37.5 billion.

Our future

I am pleased to announce the appointment of Juan Santamaria as Chief Executive Officer and Managing Director, effective from 5 February 2020. Juan is a highly regarded leader with more than 18 years' experience leading diverse businesses within our sectors. A civil engineer, Juan has extensive experience in construction, services and PPPs, and a long history of high performance within the Group, including in his current position leading CPB Contractors and his previous role leading UGL.

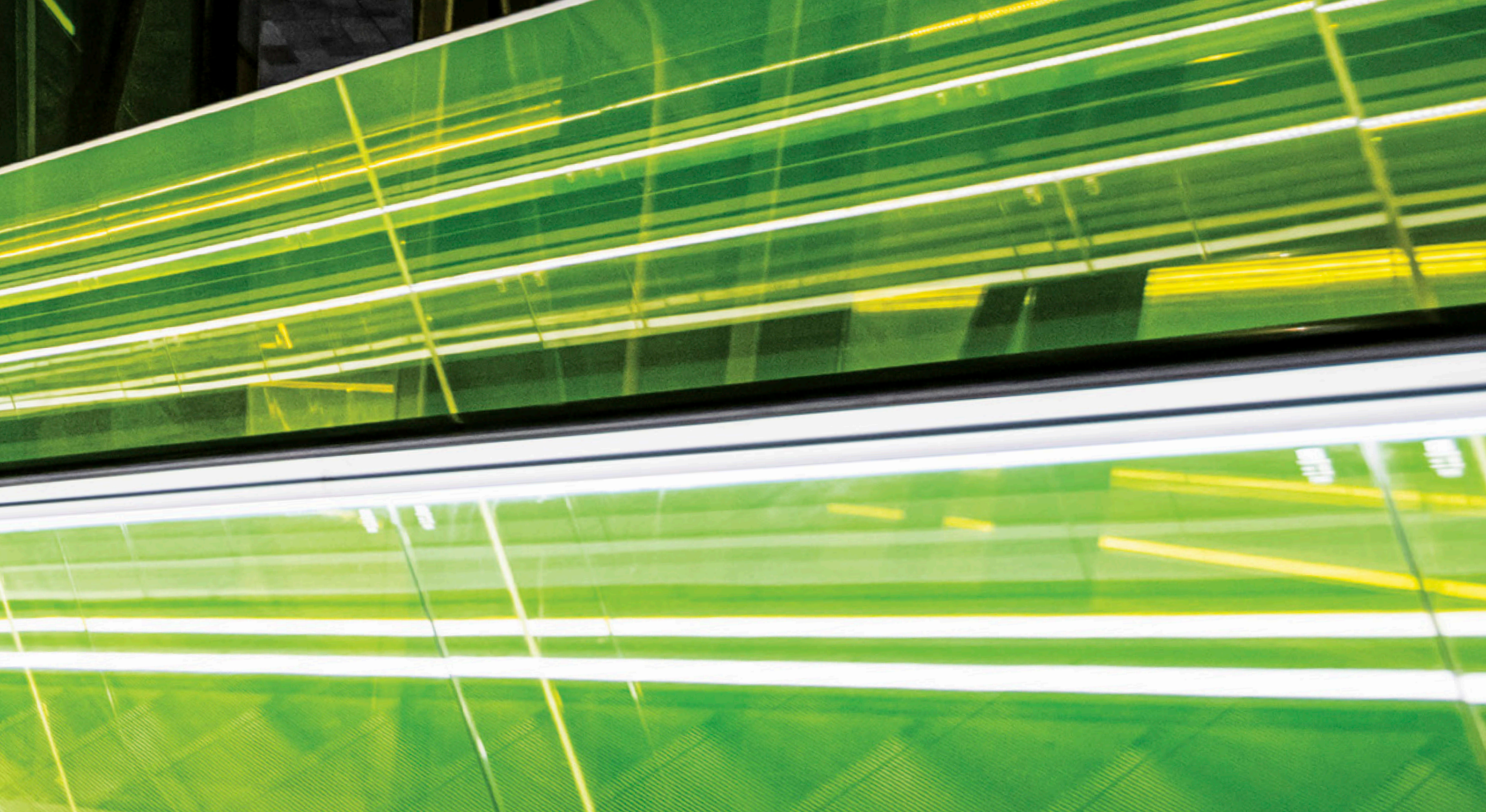
Juan has a strong understanding of CIMIC's entire operations, and a total commitment to our clients and to developing our people. The Board and I are confident that he will continue CIMIC's sustainable growth.

I'd like to thank our outgoing Chief Executive Officer and Managing Director, Michael Wright, for his dedication and achievements during his time in the role. With almost 25 years' experience in our Group, the Board and I are pleased that his expertise will be retained within our business. Michael has accepted an exciting new leadership role within CIMIC Group, on which I will provide further details in the near future.

Our focus for 2020, led by Juan, is on sustainable growth and returns. The Group's opportunities continue to strengthen, as governments and private clients in our markets prioritise social, economic and resources infrastructure projects to support the growth in urbanisation and respond to environmental challenges globally.

There is a total of $160 billion of tenders relevant to CIMIC to be bid and/or awarded in 2020, and $380 billion of projects are coming to the market in 2021 and beyond. This pipeline includes around $130 billion worth of PPP opportunities identified for 2020 and beyond.

We are capitalising on this strong pipeline, including the increasing number of Alliance contracts and long-term mining and services contracts that are coming to the market. This will further improve the risk profile of our work in hand, and gives us further confidence in the outlook for our financial performance.



Sydney Metro Northwest
CPB Contractors, UGL and Pacific Partnerships supported by EIC Activities, New South Wales, Australia

Our unique combination of PPPs, construction, mining and mineral processing, and services expertise is key to our continued success, and our focus on bidding discipline and project delivery will ensure we translate new opportunities into value for our clients, shareholders, employees and communities.

Our operating teams remained focused on our sustainability performance and safety, supporting the physical and mental wellbeing of our most important assets – our people.

We expect to achieve NPAT in the range of $810 million to $850 million in 2020, subject to market conditions.

Innovation and digitalisation

As we look to the future, we continue to invest in innovation and digitalisation to maintain and enhance our competitive advantage and resilience.

Our ongoing focus in these areas progressed through our work with the world's leading universities and IT companies. Our new global technology company, Nexplore, is jointly undertaking a series of research projects, including a partnership with MIT and IBM, that is contributing to global research and development in artificial and augmented intelligence relevant to our industries.

Nexplore intends to realise the opportunities offered by new and emerging technologies, working as a digital transformation integrator and accelerator. We want to realise value from technology today and explore how it will transform our business model for tomorrow.

During early 2020, Nexplore will establish innovation hubs in Hong Kong and Australia, within the Hong Kong Science and Technology Park and the University of Technology Sydney respectively. This is one part of a larger culture of innovation that is present across our operations.

Our people are continually seeking better ways to solve problems and improve, adapt and evolve in everything we do, including our focus on engineering and technical excellence championed by EIC Activities.

A leader in sustainability

At CIMIC Group we believe that 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, our people and their families, and for the communities in which we work and live.

Operating sustainably also provides us with opportunities to be part of the solution to help address the climate change challenge and to expand our operations as a trusted partner to clients and other stakeholders seeking to transition to a low-carbon future.

Efforts to mitigate and adapt to climate change will produce opportunities for CIMIC, through infrastructure and utility development, access to new markets, enhanced resource efficiency leading to cost savings, the adoption of low-emission energy sources, and the development of new products and services.

This year we advanced our sustainability commitments, achieving the highest rating for reporting on environmental, social and governance factors from the Australian Council of Superannuation Investors.

Further recognition for our leadership in sustainability is also provided through CIMIC's inclusion in the FTSE4Good Index for the fourth year in a row. The FTSE4Good Index Series is designed to identify companies that demonstrate strong environmental, social and governance practices measured against globally recognised standards.

I encourage you to review our Sustainability Report within this Annual Report.

Thank you

In summary, we continue to make progress on our objectives and the Group remains in a strong financial position. Our balance sheet provides flexibility to pursue strategic growth initiatives and capital allocation opportunities and our operating companies continue to deliver sustainable returns to our shareholders.

Sincerely

Marcelino Fernández Verdes
Executive Chairman

WestConnex M4 East
CPB Contractors supported by EIC Activities, New South Wales, Australia

Sydney Metro City & Southwest
CPB Contractors, Pacific Partnerships and UGL supported by EIC Activities, New South Wales, Australia

Chief Executive Officer's review

Michael Wright
Chief Executive Officer

Dear shareholders, in 2019, CIMIC Group achieved a solid operating performance. We continued to secure a solid pipeline of new work, building value for our clients through efficiency and innovation in our operations, and maintaining our focus on safety.

We also worked to strengthen the diverse and inclusive culture of our teams and develop the careers of our people.

Safety and culture

Our approach to safety focuses on creating a workplace culture that promotes safety and productivity, with strong leadership, training and communication, underpinned by robust risk management systems. We continue to proactively identify critical risks in our operations and implement management strategies and engineering systems to ensure that our people are not exposed to any uncontrolled risks.

Our focus on the physical and emotional safety of our people extends beyond the workplace. This year we introduced a new policy which underpins our Group-wide commitment to provide support to our people and their families who may be experiencing family and domestic violence.

Violence and bullying in all forms, both in the workplace and beyond, impacts on the health and safety of our people at work, their wellbeing and those around them. The introduction of this policy is a further step in helping us build a strong and inclusive culture that advances equality and helps eliminate bullying, harassment and discrimination.

We also continued to invest in our people with our leadership and graduate programs, our ongoing focus on promoting diversity and inclusion, and enabling career progression across our operating companies.

Ultimately, it was the performance of our talented people across our various operating companies, that underpinned our operating results this year.

The safety of our people remains our number one priority. So it is with great sadness that I report a fatality in our operations in early 2020. Our thoughts and profound sympathies are with our colleague's family and partner, his friends and teammates, and we are providing assistance to all of those who were affected. There were no fatalities in 2019.

* see page 13 for footnotes

Work winning

Our teams won $18.0 billion of new work[3] in 2019 building a solid pipeline of opportunities for the future. We have $37.5 billion of work in hand, representing more than two years of work and providing a solid outlook for our future.

Our key wins for the year included the selection of Pacific Partnerships, CPB Contractors and UGL across two packages of work for Cross River Rail in Brisbane, the largest infrastructure project to date in Queensland. These works, to be delivered through an Alliance and a PPP, provide CIMIC with $3.6 billion in work, and are excellent examples of how the Group provides engineering-led solutions that integrate the capabilities of several of our companies.

Other major project wins that highlight the benefits of our integrated approach include:

- Pacific Partnerships, UGL and CPB Contractors, as part of the Momentum Trains consortium, were selected to deliver the Regional Rail PPP in NSW, generating revenue of $725 million
- UGL and Pacific Partnerships were granted an extension to the existing PPP contract at Sydney Metro, generating revenue of $366 million.

CPB Contractors secured close to $1 billion of work redeveloping, expanding and building hospitals in NSW, and won some $500 million of construction work in New Zealand during the year.

In the mining sector, our key wins for the year included multibillion-dollar extensions to Thiess' existing mining services projects in Botswana and Queensland, contributing some $3 billion in new work for these two projects alone.

Performance overview

In 2019, our underlying operations performed well, with growth in NPAT (excluding BICC), solid operating cash flow[4], stable revenue[5] and diversified work in hand.

Our results include:

- Statutory NPAT of $(1.0) billion; NPAT (excluding BICC) of $800 million, up 3% YOY[6];

Karratha Gas Plant services project
UGL Western Australia

- Revenue of $14.7 billion; stable operating profit[7], PBT and NPAT margins[8] of 8.4%, 7.5% and 5.4% respectively (excluding BICC)
- One-off post tax impact of $(1.8) billion relating to the Group's exposure to the non-controlling financial investment in BICC, as a result of the decision to exit the Middle East
- Operating cash flow of $1.7 billion, no variation in factoring, 80% EBITDA cash conversion (excluding BICC)
- Operating cash flow up strongly by more than $1 billion YOY pre factoring
- Net cash of $832 million and $3.0 billion of undrawn facilities
- Returned $526 million to shareholders through dividends ($509 million) and share buyback ($17 million)
- Solid investment grade credit ratings reaffirmed by Moody's (Baa2/Stable) and S&P (BBB/Stable/A-2) in January 2020, after the announcement to exit the Middle East
- Awarded new work[9] of $18.0 billion; bidding discipline maintained
- Robust work in hand of $37.5 billion, equivalent to more than two years' worth of revenue, provides good visibility
- FY20 NPAT guidance in the range of $810 million to $850 million, subject to market conditions.

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

Our future

We will continue to build on these achievements. CIMIC's key priorities for 2020 will be led by Juan, who I congratulate on his appointment. These priorities are: to continue our focus on winning new work as an integrated team, delivering value to our clients through excellence in our operations, nurturing our strong, diverse and inclusive culture, and ensuring that the safety of our people remains our primary concern.

I look forward to being part of the Group's continued success in my new position. Thank you to all of the great people who contribute to our ongoing success.

Sincerely

Michael Wright
Chief Executive Officer

CIMIC in 2019

1st
Safety

We put safety first.

Looking out for each other is an essential part of our culture. It underpins everything we do and reflects our determination to keep our people, and those under our care, safe. Our operating companies each drive significant safety and health programs. Our target is the elimination of fatalities and permanent disabilities, and the reduction of all other injuries.

40,000
Employees

40,000 talented team members working in more than 20 countries.

We attract, develop and retain top talent to deliver projects that push the boundaries of engineering for better, more sustainable solutions that take us into the future. Each person brings their own story, experience and perspective to their job and this diversity of thought, capability and skill makes our business stronger.

120
Years

120 years of experience – CIMIC Group's businesses have a proud and diverse history of redefining the engineering, construction, mining, services and public private partnerships industries.

Our roots run back to railway rolling stock production in 1899 – and a history that includes the earthmoving business of five brothers established in Queensland's Darling Downs in 1934 and a listing on the Melbourne Stock Exchange in 1962.

New Century Zinc Project
Sedgman, Queensland, Australia

30

CIMIC has been responsible for the delivery of more than 30 PPPs valued at over $60 billion during the past 25 years.

167,000

167,000 hours spent by EIC Activities on more than 140 tenders, 180 projects and 75 innovations delivering over $100 million in value.

30,000

30,000 components rebuilt and/or replaced by Thiess' component rebuild teams in Australia and Indonesia.

94%

94% of total waste from projects is recycled or re-used by CPB Contractors, while 19% of all electricity used is sourced from renewables.

15,200

15,200 training hours delivered to Leighton Asia's indigenous workforce in Indonesia.

35,392,550

Annual total of raw material feed tonnes processed across Sedgman operations sites globally.

ZERO

The number of lost time injuries, incidents, and near misses recorded during UGL's largest maintenance shutdown, which included over 750,000 employee hours.

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).

[1] Excludes the one-off item in respect of the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region in 2019

[2] Work in hand (WIH) includes CIMIC's share of work in hand from joint ventures and associates

[3] New work includes new contracts and contract extensions and variations including the impact of foreign exchange rate movements

[4] Operating cash flow includes cash flow from operating activities and changes in short term financial assets and investments before interest, finance costs and taxes

[5] Revenue excludes revenue from joint ventures and associates of $2,506.0m (FY18: $2,582.6m)

[6] Year on year performance during the 12-month period to 31 December 2019 compared to the 12-month period to 31 December 2018

[7] Operating profit is EBIT adjusted for the one-off item in respect of the provisions and asset impairment of the Group's financial investment in BICC and exit from the Middle East region

[8] Margins are calculated on revenue which excludes revenue from joint ventures and associates. Margins excluding BICC are calculated as the net of the one-off item in respect of the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region

[9] New work includes new contracts and contract extensions and variations including the impact of foreign exchange rate movements

Contents

Canberra Light Rail
Pacific Partnerships, CPB Contractors and UGL, Australian Capital Territory, Australia

Peak Downs
Thiess, Queensland, Australia

Thiess' open cut mining services at Peak Downs deliver overburden removal, and operate and maintain three ultra-class equipment fleets.

In 2019, Thiess introduced a new state-of-the-art workshop. Similar to a large aircraft hanger, the steel structure stands seven stories high, has a double dome roof and allows up to four Caterpillar 797s to be serviced simultaneously.

Designed and built in collaboration with Sedgman and CPB Contractors, the solution integrates CIMIC Group's civil, mechanical and electrical engineering expertise.

Sustainable engineering ensures the structure is a moveable asset, that can be dismantled at project completion, and reassembled at another location or site.

Directors' Report

Directors' Report

The Directors present their report for the 2019 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 4 February 2020.

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 1994, he became General Manager of OCP and in 1997, General Manager of ACS Proyectos, Obras y Construcciones, and then took over as Chairman and CEO in 2000. Following the merger between ACS and 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 to the Board of Directors of ACS Servicios y Concesiones, S.L. (Chairman and CEO) in 2006. 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. In May 2017, he became a member of the Board of Directors of ACS Group, as CEO. Since May 2018, he has been the President of the Board of Directors of Abertis.

MICHAEL WRIGHT

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

Mr Wright has a Bachelor of Engineering (Civil) from the University of Sydney and a Master of Engineering Science from the University of New South Wales.

Mr Wright is a highly regarded leader with experience across multi-disciplinary projects in Australia, Asia, Africa and the Americas. With more than 25 years' experience across the mining, construction and services sectors, and over 20 years with the CIMIC Group, he has held 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 of Thiess' Australian Mining business and Thiess' Services business, General Manager of Leighton Asia's China and Mongolia operations, and General Manager of Silcar, a joint venture between Thiess and Siemens.

Mr Wright serves as a Director of the Minerals Council of Australia and is 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, is a Director and Board Secretary of Dragados, S.A., a member of Cobra Gestión de Infraestructuras, S.A. and is currently a member of the Supervisory Board of HOCHTIEF AG.

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 is Ingeniero de Caminos Canales y Puertos 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 CESPA, 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), and 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 a Board Member of ACS Group and Vice Chairman of its Executive Committee, Chairman of Dragados S.A., Chairman of ACS Services y Concesiones S.A. and Vice Chairman ACS Servicios Comunicaniones y Energia S.A.; Chair of Supervisory Board of HOCHTIEF AG, and Board Member of Abertis.

Mr López Jiménez is also Vice Chairman of the Royal Board of the National Library of Spain and Board Member of the Malaga Picasso Musuem.

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.
Member of the Ethics, Compliance and Sustainability Committee.
Previously an Alternate Director for Mr López Jiménez (from June 2014 to 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. He is also principal of Harveys Consulting. Mr Robinson is a Director of Catholic Schools NSW Limited. Mr Robinson is a Director of HOCHTIEF Australia and was a former Director of Leighton Properties from May 2000 to August 2012. 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 the Chairman of 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 also the CFO of HOCHTIEF Solutions AG. Mr Sassenfeld is a Director of HOCHTIEF Australia, The Turner Corporation and Flatiron Holding Inc. Mr Sassenfeld has previously worked as the CFO of Ferrostaal AG and Krauss Maffei AG and in senior finance roles at Bayer AG and the Mannesmann Group. He was a director of Abertis Infraestructuras, S.A.

KATHRYN SPARGO

Independent Non-executive Director
LLB (Hons), BA, FAICD
Appointed Non-executive Director in September 2017.
Chairman of the Ethics, Compliance and Sustainability Committee and Remuneration and Nomination Committee and Member of the Audit and Risk Committee.

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: 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, Coinvest Ltd and Future Fuels Cooperative Research Centre. Ms Spargo's previous Board positions included Chairman of UGL, as well as directorships at Fulton Hogan, SMEC Holdings, Fletcher Building (March 2012 to September 2017), Xenith IP Ltd (April 2017 to August 2019), Pacific Hydro, Suncorp Portfolio Services, IOOF, Investec Bank, and Transfield Services Infrastructure Fund.

ALTERNATE DIRECTORS' RESUMÉS

ÁNGEL MURIEL

Alternate Director
PhD in Applied Economics
Alternate Director for Mr Sassenfeld.

Mr Muriel joined the ACS group in 1995 and has held a number of global senior executive positions.

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. In 2012 he became Head of Corporate Mergers and Acquisitions at HOCHTIEF AG, 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's Chief Financial Officer.

Mr Muriel is currently the Deputy General Manager to the CEO of ACS 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 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 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, Senior Regional Executive, APAC Regional Office (Australia) for Hitachi Ltd and is a member of the Business Council of Australia and Asia Society's "Asia Taskforce". 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. From 2016 to 2019 Mr Seidler AM was the NSW Government's Special Envoy – Japan. He was a Director of Investa Office Fund Management (from July 2016 to December 2018) and Investa Listed Funds Management Limited (from April 2016 to December 2018). 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
Alternate Director for Mr López Jiménez.

Mr Valderas was previously CEO and Managing Director of CIMIC Group from October 2016 to 30 November 2017. Mr Valderas is a civil engineer with proven expertise in leading companies with complex, multinational operations across Australia, Europe, the United States, Canada, South America, Asia and China.

With more than 25 years experience, Mr Valderas has held various senior executive positions within the construction, services, mining and concessions sectors. 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, including as Deputy International Manager. Prior to 2000, he held a variety of positions within the construction industry. He has direct experience in delivering projects in high speed rail, road and bridges, water treatment, construction, services, operations, maintenance and PPPs.

COMPANY SECRETARIES' RESUMÉS

LOUISE GRIFFITHS
Company Secretary
BSc, BA, FGIA

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 Criminal Justice and a Bachelor of Arts in Community Justice. She is a fellow 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 19 years experience in a company secretary role. Ms Nikolopoulos is also the company secretary of a number of subsidiaries of CIMIC.

FORMER OFFICEHOLDERS
During the 2019 Financial Year the following people ceased to be officeholders of the Company:

Name	Position	Period
Trevor Gerber	Independent Non-executive Director	11 June 2014 to 31 December 2019

BOARD MEETINGS

The number of Board and Board Committee meetings held, and the number of meetings attended by each Director, during the 2019 Financial Year are set out in the table below.

	Board		**Audit & 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	6	-	4[+]	-	4[+]	-	2[+]	-	-
M Wright	6	6	-	4[+]	-	4[+]	-	2[+]	2	2
R Chenu	6	6	4	4	4	4	2	2	2	2
J L del Valle Pérez	6	6	-	4[+]	4	3	2	1	-	-
P Lopéz Jiménez	6	6	-	4[+]	4	4	2	2	-	-
D Robinson	6	6	-	4[+]	4	4	-	2[+]	2	2
P Sassenfeld	6	6	4	4	-	1[+]	-	-	-	-
K Spargo	6	6	-	4[+]	4	4	-	2[+]	2	2
Alternate Directors										
Á Muriel[1]	-	6*	-	4*	-	4*	-	1*	-	-
R Seidler AM[2]	-	6*	-	4*	-	4*	-	2*	-	2*
A Valderas[3]	-	6*	-	4*	-	4*	-	2*	-	-
Former Directors										
T Gerber[4]	6	6	4	4	4	4	2	2	-	-

H The number of meetings held during the period the Director/Alternate Director was a member of the Board and/or Committee (including 2 meetings conducted via circular resolution).

A The number of meetings attended by the Director during the period the Director/Alternate Director was a member of the Board and/or Committee (including 2 meetings conducted via circular resolution).

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 Muriel is currently an Alternate Director for Mr Sassenfeld.

2 Mr Seidler is currently an Alternate Director for Mr del Valle Pérez.

3 Mr Valderas is currently an Alternate Director for Mr López Jiménez.

4 Mr Gerber retired from the Board on 31 December 2019.

In addition to scheduled meetings, briefing sessions were held for Directors during the year.

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[1]	Ordinary shares	Options over shares
Directors				
M Fernández Verdes	2,745[2]	-	13,336 (ACS) 822,369 (ACS)* 12,931 (HOCHTIEF AG)	500,000 (ACS)
M Wright	10,000	23,537	-	-
R Chenu	4,085	-	-	-
J L del Valle Pérez	1,000[2]	-	286,223 (ACS)	275,000 (ACS)
P López Jiménez	1,192[2]	-	594,578 (ACS)~	-
D Robinson	1,489	-	-	-
P Sassenfeld	1,858[2]	-	15,342 (HOCHTIEF AG)	-
K Spargo	4,000	-	-	-
Alternate Directors				
Á Muriel	14,991	12,127	4,216 (ACS)	275,000 (ACS)
R Seidler AM	2,941	-	910 (ACS)	-
A Valderas	2,500	20,924	1,563 (ACS)	200,000 (ACS)
Former Director				
T Gerber	2,000	-	-	-

1 The Company has determined that all options available to be exercised will be paid in cash in lieu of an allocation of shares (refer to the Remuneration Report for a summary of our option plan and 'Note 36: Employee benefits' to the Financial Report within this Annual Report for further details).

2 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.

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 2019 Financial Year:

- the Company submitted its NGER Scheme report with EY, our NGER Scheme external auditor, providing limited assurance; and
- across the 147.8 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 32 breaches which involved written warnings from environmental regulators and 18 fines totalling $307,538, the detail of which is set out in the Sustainability Report.
- CPB Contractors recorded 1 Level 1 incident which related to a prosecution for the WestConnex New M5 Project. After pleading guilty in October 2018, CPB Contractors was convicted in September 2019, in the NSW Land & Environment Court, for causing offensive odours to be emitted at the WestConnex M5 St Peters Interchange. The offences were committed on four occasions in April, May and June 2017 in the course of construction activities. Steps have now been taken to prevent those incidents reoccurring.

  CPB Contractors has expressed its genuine and sincere apology to the community and residents for the odour. On 25 September 2019, CPB Contractors was ordered to pay a total of $295,000 to the Environment Trust in lieu of a fine; pay the Environmental Protection Authority's investigation and legal costs; publish a notice of apology in various media; and provide a notice to nearby residents.

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.

OPTIONS

As at the date of this Directors' Report, there are 104,005 options on issue. 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 5 Feb 2019[1]	178,513
Lapsed since 5 Feb 2019	-
Exercised since 5 Feb 2019	(74,508)
On issue 4 Feb 2020[2]	**104,005**

1 Date of the Directors' Report contained in the 2018 CIMIC Annual Report.
2 Date of this Directors' Report.

On vesting, these options may be satisfied through the issue of ordinary shares in the Company, the allocation of ordinary shares in the Company acquired on-market or in cash in lieu of an allocation of shares. On 23 October 2018, the Company determined that all remaining options be settled in cash in lieu of an allocation of shares and accordingly, during the 2019 Financial Year all vested options were satisfied in cash. Holders of these 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 options.

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, secretary or assistant secretary of the Company or its related bodies corporate.

The Constitution states that, to the full extent permitted by law, the Company indemnifies each 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 2019 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.

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 2019 Financial Year was a director or partner of the Group's external auditor at a time the Group's external auditor conducted the audit.

NON-AUDIT SERVICES

Details of the amounts paid or payable to our external auditor, Deloitte, for non-audit services provided during the 2019 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 2019 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 2019 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 2019 Financial Year were as follows.

Non-audit services	**Amount paid/payable $'000**
Other assurance services	105
Taxation and other services	-
Total	**105**

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.

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 2019 Financial Year in accordance with section 295A of the Corporations Act.

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 2019, 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, 4 February 2020

Operating and Financial Review

FINANCIAL OVERVIEW

OPERATING PERFORMANCE

- Revenue of $14.7 billion in FY19 with growth in Mining and Australian Construction.
- Stable operating profit[1], PBT and NPAT margins (excluding BICC)[2] of 8.4%, 7.5% and 5.4% respectively.
- Operating profit[1] of $1.2 billion, up $55.4 million on FY18.
- PBT (excluding BICC)[2] of $1.1 billion, up $28.3 million on FY18.
- NPAT (excluding BICC)[2] of $800.3 million versus $778.5 million in FY18, up 3% YOY.
- One-off post tax impact of $(1.8) billion relating to the financial investment of BIC Contracting (BICC) as a result of the decision to exit the Middle East region. Statutory NPAT of $(1.0) billion.

CASH FLOWS

- Operating cash flows of $1.7 billion, up substantially by more than $1.0 billion YOY pre-factoring.
- Factoring stable YOY at $1.96 billion.
- Delivered 80% EBITDA cash conversion (excluding BICC)[2] in FY19.
- Gross capital expenditure of $774.4 million driving growth in mining and delivering job-costed tunnelling opportunities.
- Maintained strict focus on managing working capital and generating sustainable cash-backed profits.

FINANCIAL POSITION

- Net cash of $831.6 million at December 2019.
- Ample liquidity supported by $3.0 billion of undrawn debt facilities available at 31 December 2019.
- Successfully refinanced and expanded $1.9 billion syndicated bank facility reflecting balance sheet strength.
- Solid investment grade credit ratings reaffirmed by Moody's (Baa2/Stable) and S&P (BBB/Stable/A-2) in January 2020, after the announcement to exit the Middle East.
- Cost of debt down 50 basis points to 3.3%, reduced from 3.8% at December 2018.
- Net contract debtors of $1.3 billion reflects the completion of various large infrastructure projects, the award of numerous alliance style contracts with a different working capital profile and growth in mining.

WORK IN HAND AND PIPELINE

- Work in hand of $37.5 billion, equivalent to more than two years of revenue, provides good visibility.
- New work of $18.0 billion awarded in FY19, disciplined bidding maintained.
- Operating Companies' work in hand increased by 4.4% or $1.5 billion on FY18 to $35.3 billion, with a significant number of projects announced during the year.
- Expanding project pipeline across core markets/activities, providing a range of business opportunities.
- $160 billion of tenders relevant to CIMIC to be bid and/or awarded in 2020, and around $380 billion of projects expected to come to market in 2021 and beyond, including about $130 billion worth of Public Private Partnership (PPP) projects.

SHAREHOLDER RETURNS

- Returned $525.8 million of cash to shareholders in FY19 through dividends paid ($509.1 million) and share buyback ($16.7 million).
- EPS (basic) excluding BICC one-off was 246.9c cents, up 2.8% on FY18 (in line with increase in NPAT excluding BICC).
- Paid an ordinary interim dividend of 71.0 cents per share, up 1.4% YOY, fully franked, on 3 October 2019.
- Due to the one-off BICC impairment, CIMIC has not declared a final dividend for FY19.

GUIDANCE

- FY20 NPAT expected to be in the range of $810 million to $850 million, subject to market conditions.
- Guidance supported by strong level of work in hand and positive outlook across the Group's core markets.
- Disciplined focus on sustaining a strong balance sheet, generating cash, and a rigorous approach to tendering and project delivery.

---

[1] Operating profit is EBIT adjusted for the one-off item in respect of the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region in FY19.

[2] Excludes the one-off item in respect of the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region in FY19.

FINANCIAL OVERVIEW

Financial performance $m	**2019**	**2018[3]**	**chg. $**	**chg. %**
Group revenue	17,207.1	17,252.8	(45.7)	(0.3)%
Revenue – joint ventures and associates	(2,506.0)	(2,582.6)	76.6	(3.0)%
Revenue[4]	**14,701.1**	**14,670.2**	**30.9**	**0.2%**
Expenses	(13,538.7)	(13,555.0)	16.3	(0.1)%
Share of profit/(loss) of joint ventures and associates	66.7	58.5	8.2	14.0%
Operating profit[5]	**1,229.1**	**1,173.7**	**55.4**	**4.7%**
Operating profit margin[6]	8.4%	8.0%	40bp	
Net finance costs	(129.2)	(102.1)	(27.1)	26.5%
Profit before tax (excl. BICC)[7]	**1,099.9**	**1,071.6**	**28.3**	**2.6%**
PBT margin (excl. BICC)[6]	7.5%	7.3%	20bp	
Income tax (excl. BICC)[7]	(297.0)	(299.9)	2.9	(1.0)%
Profit for the year (excl. BICC)[7]	**802.9**	**771.7**	**31.2**	**4.0%**
Non-controlling interests	(2.6)	6.8	(9.4)	-
NPAT (excl. BICC)[7]	**800.3**	**778.5**	**21.8**	**2.8%**
NPAT margin (excl. BICC)[6]	5.4%	5.3%	10bp	
EPS (basic) – excl. BICC	246.9c	240.1c	6.8c	2.8%
One-off BICC item[8]	(1,840.2)	-		
NPAT	**(1,039.9)**	**778.5**		
NPAT margin[6]	(7.1)%	5.3%		
EPS (basic)	(320.9)c	240.1c		

Financial position $m	**December 2019**	**December 2018[3]**	**chg. $**	**chg. %**
Net cash/(debt) (excl. BICC)[9]	**1,230.2**	**1,622.4**	**(392.2)**	**(24.2)%**
One-off BICC item 2019[10]	(398.6)	-	(398.6)	-
Net cash/(debt)	**831.6**	**1,622.4**	**(790.8)**	**(48.7)%**
Lease liabilities	(902.1)	(908.9)	6.8	(0.7)%
Net cash/(debt) (incl. leases)	(70.5)	713.5	(784.0)	-
Net contract debtors[11]	**1,285.7**	**1,098.9**	**186.8**	**17.0%**

[3] FY18 has been restated for the impact of AASB 16: *Leases* where required, effective 1 January 2019, and applied retrospectively during 2018. Refer to the Financial Report, 'Note 1: *Basis of preparation – new and amended standards adopted by the Company'* for details.
[4] Revenue excludes revenue from joint ventures and associates of $2,506.0 million (FY18: $2,582.6 million).
[5] Operating profit is EBIT adjusted for the one-off item in respect of the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region in FY19.
[6] Margins are calculated on revenue as defined above. Margins excluding BICC are calculated net of the one-off item in respect of the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region in FY19.
[7] Excludes the one-off item in respect of the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region in FY19.
[8] One-off relates to the provisions and asset impairments (net of tax) of the Group's financial investment in BICC and exit from the Middle East region in FY19.
[9] Net cash/(debt) includes cash and equivalent liquid assets (which includes cash, cash equivalents and short term financial assets investments). 2019 Net cash/(debt) excludes the $398.6 million funded to BICC in FY19.
[10] Funding provided to BICC in FY19.
[11] Net contract debtors represents the net amount of total contract debtors–trade and other receivables and total contract liabilities–trade and other payables (refer to the Financial Report, 'Note 10: *Trade and other receivables'–'Additional information on contract debtors'*).

Cash flows $m	**Pre-factoring 2019**	**Pre-factoring 2018**[12]	**chg. $**	**Post-factoring 2019**	**Post-factoring 2018**[12]
Operating cash flow[13]	**1,707.0**	**658.4**	**1,048.6**	**1,714.3**	**2,053.4**
Interest, finance costs and taxes	(463.8)	(150.4)	(313.4)	(463.8)	(150.4)
Net operating cash flow[14]	**1,243.2**	**508.0**	**735.2**	**1,250.5**	**1,903.0**
Gross capital expenditure[15]	(774.4)	(547.4)	(227.0)	(774.4)	(547.4)
Gross capital proceeds[16]	22.5	82.6	(60.1)	22.5	82.6
Net capital expenditure	**(751.9)**	**(464.8)**	**(287.1)**	**(751.9)**	**(464.8)**
Free operating cash flow[17]	**491.3**	**43.2**	**448.1**	**498.6**	**1,438.2**

Work in hand[18] **$m**	**December 2019**	**December 2018**	**chg. $**	**chg. %**
Work in hand beginning of period	36,706.1	36,009.9	696.2	1.9%
New work[19]	18,011.7	17,949.0	62.7	0.3%
Executed work	(17,207.1)	(17,252.8)	45.7	(0.3)%
Total work in hand end of period	**37,510.7**	**36,706.1**	**804.6**	**2.2%**
Operating Companies' work in hand	35,316.1	33,833.1	1,483.0	4.4%
Corporate work in hand	2,194.6	2,873.0	(678.4)	(23.6)%
Total work in hand end of period	**37,510.7**	**36,706.1**	**804.6**	**2.2%**

[12] FY18 has been restated for the impact of AASB 16: *Leases* where required, effective 1 January 2019, and applied retrospectively during 2018. Refer to the Financial Report, 'Note 1: *Basis of preparation – new and amended standards adopted by the Company'* for details.
[13] Operating cash flow includes cash flow from operating activities and changes in short term financial assets and investments, before interest, finance costs and taxes.
[14] Net operating cash flow is defined as operating cash flow after interest, finance costs and taxes.
[15] Gross capital expenditure is payments for property, plant and equipment.
[16] Gross capital proceeds are proceeds received from the sale of property, plant and equipment.
[17] Free operating cash flow is defined as net operating cash flow less net capital expenditure for property, plant and equipment.
[18] Work in hand includes CIMIC's share of work in hand from joint ventures and associates.
[19] New work includes new contracts and contract extensions and variations, including the impact of foreign exchange rate movements.

SHAREHOLDER RETURNS

TOTAL SHAREHOLDER RETURNS

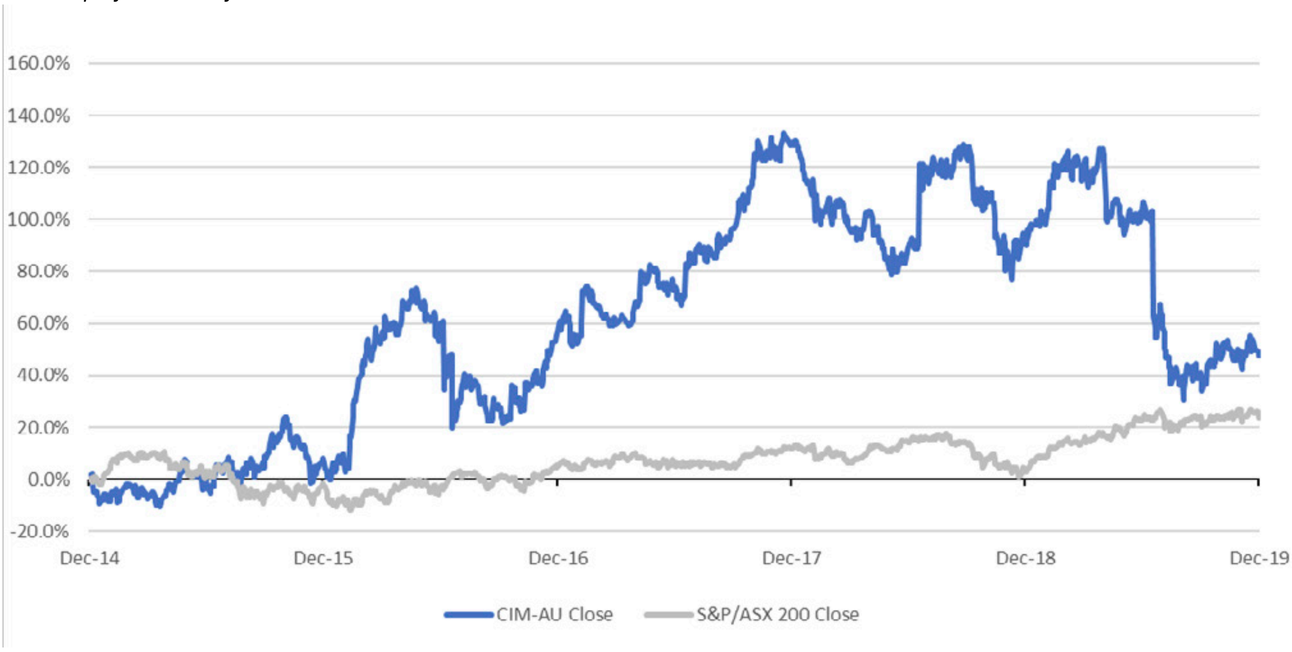
Shareholder returns	31 December 2019	31 December 2018
Closing share price	$33.14	$43.41
Market capitalisation ($m)	10,728.3	14,075.9
Final dividend per share	-	86c
Interim dividend per share	71c	70c
Total dividends per share	71c	156c
EPS (basic) – excluding BICC	246.9c	240.1c
EPS (basic)	(320.9)c	240.1c
Payout ratio for ordinary dividends*	28.8%	65.0%

** The payout ratio for ordinary dividends in 2019 was impacted by the Middle East one-off.*

PERFORMANCE OF CIMIC SHARES

In line with our commitment to create long-term shareholder value, over the past five years CIMIC's share price increased by $10.64, representing an increase of 47.3% since 31 December 2014, compared to the S&P/ASX 200 index which has increased by 23.5% to 6,684.1 points. Over this period, CIMIC has further remunerated shareholders through the payment of dividends of $6.36 per share, representing an amount of $2,081.3 million. In addition, an amount of $442.6 million has been returned to shareholders through share buybacks leading to total payments of $2,523.9 million in the form of dividends and share buybacks over the past five years. CIMIC's market capitalisation represented $10.73 billion as at 31 December 2019.

Indexed performance of CIMIC shares



DIVIDENDS

CIMIC paid an interim dividend of 71 cents per share, 100% franked, on 3 October 2019.

As a consequence of the BICC one-off impairment, CIMIC has decided not to declare a final dividend for FY19.

SHARE BUYBACK PROGRAM

On 14 December 2018, CIMIC announced an on-market share buyback of up to 10% of its fully paid ordinary shares for a period of 12 months commencing on 29 December 2018. In 2019, a total of 527,341 shares were bought back under this share buyback program for $16.7 million and the shares were subsequently cancelled.

Another on-market share buyback commenced on 29 December 2019 of up to 10% of the fully paid ordinary shares for a further 12 months. As at 4 February 2020 no additional shares have been bought back. The timing and number of any shares purchased will depend on CIMIC's share price and market conditions.

FINANCIAL PERFORMANCE

Financial performance $m	**2019**	**2018[20]**	**chg. $**	**chg. %**
Group revenue	17,207.1	17,252.8	(45.7)	(0.3)%
Revenue – joint ventures and associates	(2,506.0)	(2,582.6)	76.6	(3.0)%
Revenue[21]	**14,701.1**	**14,670.2**	**30.9**	**0.2%**
Expenses	(13,538.7)	(13,555.0)	16.3	(0.1)%
Share of profit/(loss) of joint ventures and associates	66.7	58.5	8.2	14.0%
Operating profit[22]	**1,229.1**	**1,173.7**	**55.4**	**4.7%**
Operating profit margin[23]	8.4%	8.0%	40bp	
Net finance costs	(129.2)	(102.1)	(27.1)	26.5%
Profit before tax (excl. BICC)[24]	**1,099.9**	**1,071.6**	**28.3**	**2.6%**
PBT margin (excl. BICC)[23]	7.5%	7.3%	20bp	
Income tax (excl. BICC)[24]	(297.0)	(299.9)	2.9	(1.0)%
Profit for the year (excl. BICC)[24]	**802.9**	**771.7**	**31.2**	**4.0%**
Non-controlling interests	(2.6)	6.8	(9.4)	-
NPAT (excl. BICC)[24]	**800.3**	**778.5**	**21.8**	**2.8%**
NPAT margin (excl. BICC)[23]	5.4%	5.3%	10bp	
EPS (basic) – excl. BICC	246.9c	240.1c	6.8c	2.8%
One-off BICC item[25]	(1,840.2)	-		
NPAT	**(1,039.9)**	**778.5**		
NPAT margin[23]	(7.1)%	5.3%		
EPS (basic)	(320.9)c	240.1c		

REVENUE AND PROFIT BEFORE TAX BY SEGMENT

Revenue for the year was $14.7 billion, reflecting growth in Mining and Australian Construction. PBT (excluding BICC) was $1,099.9 million for FY19, an increase of 2.6%, or $28.3 million, compared to FY18. The PBT margin (excluding BICC) of 7.5% reflects our ongoing focus on project delivery and cost discipline.

Revenue by segment $m	**2019**	**2018**	**chg. $**	**chg. %**
Construction	7,532.1	7,965.2	(433.1)	(5.4)%
Mining & Mineral Processing	4,496.9	3,966.9	530.0	13.4%
Services	2,626.4	2,676.5	(50.1)	(1.9)%
Corporate	45.7	61.6	(15.9)	(25.8)%
Revenue	**14,701.1**	**14,670.2**	**30.9**	**0.2%**

Profit before tax by segment (excl. BICC) $m	**2019**	**2018[20]**	**chg. $**	**chg. %**
Construction	470.4	621.7	(151.3)	(24.3)%
Mining & Mineral Processing	603.4	428.5	174.9	40.8%
Services	154.7	161.0	(6.3)	(3.9)%
Corporate	(128.6)	(139.6)	11.0	(7.9)%
Profit before tax (excl. BICC)	**1,099.9**	**1,071.6**	**28.3**	**2.6%**

Group revenue from the various market segments was split 78:22 between domestic and international markets, compared to 73:27 in FY18.

[20] FY18 has been restated for the impact of AASB 16: *Leases* where required, effective 1 January 2019, and applied retrospectively during 2018. Refer to the Financial Report, 'Note 1: *Basis of preparation – new and amended standards adopted by the Company'* for details.
[21] Revenue excludes revenue from joint ventures and associates of $2,506.0 million (FY18: $2,582.6 million).
[22] Operating profit is EBIT adjusted for the one-off item in respect of the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region in FY19.
[23] Margins are calculated on revenue as defined above. Margins excluding BICC are calculated net of the one-off item in respect of the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region in FY19.
[24] Excludes the one-off item in respect of the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region in FY19.
[25] One-off relates to the provisions and asset impairments (net of tax) of the Group's financial investment in BICC and exit from the Middle East region in FY19.

CONSTRUCTION REVENUE

Construction revenue was $7.5 billion for FY19, a decrease of 5.4% compared to FY18. The revenue reflects a decline in our Hong Kong construction activities, partially offset by substantial contributions from the delivery of a number of large-scale transport infrastructure projects in Australia.

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

- rail and road developments in Australia, including Sydney Metro 'Northwest' and 'City & Southwest', WestConnex 'M4 East', 'Rozelle Interchange' and 'New M5' and the Woolgoolga to Ballina upgrade in New South Wales, the West Gate Tunnel project in Victoria, and the Logan Enhancement Project in Queensland;
- social infrastructure projects including the Waikeria Corrections Facility and Christchurch Hospital in New Zealand, and the Junee Correctional Centre in New South Wales;
- infrastructure projects in Hong Kong including the Liantang/Hueng Yuen Wai Boundary Control Point, Hong Kong International Airport 'Terminal 1 Annex Building and Car Park' and 'Terminal 2 Foundation and Substructure works', and Black Point Power Station; and
- several PPP projects, including Transmission Gully and New Zealand Schools in New Zealand, the Canberra Light Rail in the Australian Capital Territory and the commencement of the Cross River Rail project in Queensland.

Construction PBT was $470.4 million for FY19 compared to $621.7 million for FY18. This reduced result is reflective of both the trend in the revenue as well as the ongoing change in market conditions as more projects are being procured in alliance-style contracts that have a different risk-return and also working capital profile.

MINING & MINERAL PROCESSING REVENUE

Mining & Mineral Processing revenue was $4.5 billion for FY19, an increase of 13.4%, or $530.0 million, compared to FY18. The increase in revenue reflects a number of contract extensions, increased production levels and contributions from a diverse range of Mining & Mineral Processing contracts, with the Group benefitting from its portfolio which is diversified across commodities and geographic markets.

During the period, some of the Group's most significant Mining & Mineral Processing projects included:

- Lake Vermont, Mount Owen, Curragh North, Solomon, Mount Arthur, Peak Downs and Caval Ridge mines in Australia;
- Byerwen and Mount Pleasant mineral processing projects in Australia;
- Kaltim Prima Coal, Melak and Mahakam Sumber Jaya mines in Indonesia;
- Ukhaa Khudag mine in Mongolia;
- Pumpkin Hollow processing plant in the United States;
- Encuentro Oxides mine in Chile; and
- Jwaneng mine in Botswana.

Mining & Mineral Processing PBT was $603.4 million for FY19. This strong result is benefitting from revenue growth combined with further improved margins, driven by a continued focus on leveraging efficiencies and creating value for our clients.

SERVICES REVENUE

Services revenue was $2.6 billion for FY19, a steady contribution compared to FY18, as the Group sustained its competitive position in the operations and maintenance services market.

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

- maintenance and supply chain services to over 1,200 passenger cars in Sydney's metropolitan rail fleet;
- mechanical and electrical works, as well as maintenance, for the Cross River Rail project in Queensland;
- 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 resource companies including Chevron, BP, BHP, Rio Tinto, Woodside and Alcoa, across Australia;
- rail rolling stock maintenance works for Pacific National and Freightliner in New South Wales;
- designing, building, testing and commissioning new waste water treatment plants, across Australia;
- delivery of operation and maintenance services in Australia's energy sector, for companies including AGL, Stanwell and Origin;
- provision of asset management services for up to 15 years to support the Royal Australian Navy; and
- design, build and commissioning of high voltage substations and transmission lines that will connect the Prominent Hill electricity grid to the South Australian electricity grid.

Services PBT was $154.7 million for FY19 compared to $161.0 million for FY18, with steady margins.

CORPORATE

Corporate PBT was $(128.6) million for FY19, which is stable compared to FY18. This segment includes Corporate, EIC Activities, Pacific Partnerships and the Commercial & Residential business.

REVENUE – JOINT VENTURES AND ASSOCIATES

Revenue from joint ventures and associates was $2.5 billion for FY19, which includes revenue from investments such as Ventia.

EXPENSES

Expenses were $13.5 billion for FY19, consistent with FY18. The major direct expenses were materials, subcontractors, plant costs, depreciation and personnel costs.

Depreciation and amortisation

Depreciation and amortisation was $917.6 million for FY19, an increase of 26.2%, or $190.5 million, compared to FY18. The revenue growth in mining, as well as increases in leased mining equipment and increased tunnelling activity on a number of large infrastructure projects, has driven the higher level of depreciation.

OPERATING PROFIT

The Group's operating profit was $1,229.1 million for FY19, an increase of 4.7% or $55.4 million, compared to FY18. This strong result reflects a diligent focus on project delivery and cost discipline.

NET FINANCE COSTS

Net finance costs were $129.2 million for FY19, an increase of $27.1 million compared to FY18. Higher net finance costs were recorded due to an increase in the total level of bonding to support the growth of work in hand, mainly in Australian Construction and PPP projects, as well as additional working capital initiatives and increases in leased asset expenses.

Finance cost detail $m	**2019**	**2018[26]**	**chg. $**	**chg. %**
Debt interest expenses	(66.1)	(73.1)	7.0	(9.6)%
Facility fees, bonding and other costs	(119.8)	(84.3)	(35.5)	42.1%
Total finance costs	**(185.9)**	**(157.4)**	**(28.5)**	**18.1%**
Interest income	56.7	55.3	1.4	2.5%
Net finance costs	**(129.2)**	**(102.1)**	**(27.1)**	**26.5%**

Average cost of debt calculation $m	**2019**	**2018**
Debt interest expenses (a)	(66.1)	(73.1)
Gross debt[27]	922.9	522.8
Gross debt average (b)	2,018.4	1,938.7
Average cost of debt (-a/b)	**3.3%**	**3.8%**

INCOME TAX

The income tax expense (excluding BICC) was $297.0 million for FY19, on a similar level compared to FY18. This expense equates to an effective tax rate of 27.0%, compared with 28.0% for FY18. The reported income tax benefit of $587.5 million is a result of the one-off item relating to the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region.

NON-CONTROLLING INTERESTS

Non-controlling interests were $(2.6) million for FY19 versus $6.8 million for FY18. This relates to gains attributable to the shareholdings of minority owners for the period.

NET PROFIT AFTER TAX

NPAT (excluding BICC) was $800.3 million for FY19, an increase of 2.8%, or $21.8 million, compared to FY18. Earnings per share (basic) excluding BICC one-off were 246.9 cents, an increase of 2.8% on FY18. NPAT was impacted by the one-off post tax item of $(1.8) billion relating to the provisions and asset impairments of the Group's investment in BICC, which led to a statutory NPAT of $(1.0) billion.

[26] FY18 has been restated for the impact of AASB 16: *Leases* where required, effective 1 January 2019, and applied retrospectively during 2018. Refer to the Financial Report, 'Note 1: *Basis of preparation – new and amended standards adopted by the Company'* for details.
[27] Total interest bearing liabilities.

FINANCIAL POSITION

CIMIC's balance sheet and ample liquidity was maintained in 2019, as the company continued its strict focus on managing working capital and generating sustainable cash-backed profits.

Net cash/(debt) $m	**December 2019**	**December 2018[28]**	**chg. $**	**chg. %**
Cash and cash equivalent liquid assets (excl. BICC)[29]	**2,153.1**	**2,145.2**	**7.9**	**0.4%**
Current interest bearing liabilities	(164.3)	(50.7)	(113.6)	-
Non-current interest bearing liabilities	(758.6)	(472.1)	(286.5)	60.7%
Net cash/(debt) (excl. BICC)[30]	**1,230.2**	**1,622.4**	**(392.2)**	**(24.2)%**
One-off BICC item 2019[31]	(398.6)	-	(398.6)	-
Net cash/(debt)	**831.6**	**1,622.4**	**(790.8)**	**(48.7)%**
Lease liabilities	(902.1)	(908.9)	6.8	(0.7)%
Net cash/(debt) (incl. leases)	(70.5)	713.5	(784.0)	-

Net contract debtors $m	**December 2019**	**December 2018**	**chg. $**	**chg. %**
Net contract debtors	1,285.7	1,098.9	186.8	17.0%

Assets $m	**December 2019**	**December 2018[28]**	**chg. $**	**chg. %**
Current assets				
Cash and cash equivalent liquid assets	1,754.5	2,145.2	(390.7)	(18.2)%
Trade and other receivables	3,554.4	3,122.1	432.3	13.8%
Inventories: consumables and development properties	400.1	315.1	85.0	27.0%
Assets held for sale	-	1.5	(1.5)	-
Total current assets	**5,709.0**	**5,583.9**	**125.1**	**2.2%**
Non-current assets				
Trade and other receivables	130.4	777.6	(647.2)	(83.2)%
Inventories: development properties	114.9	111.1	3.8	3.4%
Investments accounted for using the equity method	250.5	136.6	113.9	83.4%
Other investments	112.2	105.4	6.8	6.5%
Deferred tax assets	1,025.2	69.6	955.6	-
Property, plant and equipment	2,279.1	2,068.1	211.0	10.2%
Intangibles	1,104.4	1,093.5	10.9	1.0%
Total non-current assets	**5,016.7**	**4,361.9**	**654.8**	**15.0%**
Total assets	**10,725.7**	**9,945.8**	**779.9**	**7.8%**

[28] FY18 has been restated for the impact of AASB 16: *Leases* where required, effective 1 January 2019, and applied retrospectively during 2018. Refer to the Financial Report, 'Note 1: *Basis of preparation – new and amended standards adopted by the Company'* for details.
[29] Cash and cash equivalent liquid assets includes cash, cash equivalents and short term financial assets and investments. 2019 Cash and cash equivalent liquid assets excludes the $398.6 million funded to BICC in FY19.
[30] 2019 Net cash/(debt) excludes the $398.6 million funded to BICC in FY19.
[31] Funding provided to BICC in FY19.

Liabilities and equity $m	**December 2019**	**December 2018**[32]	**chg. $**	**chg. %**
Current liabilities				
Trade and other payables	6,024.6	5,669.7	354.9	6.3%
Current tax liabilities	60.3	68.4	(8.1)	(11.8)%
Provisions	327.2	326.0	1.2	0.4%
Financial liability	1,483.4	-	1,483.4	-
Interest bearing liabilities	164.3	50.7	113.6	-
Lease liabilities	277.8	279.2	(1.4)	(0.5)%
Total current liabilities	**8,337.6**	**6,394.0**	**1,943.6**	**30.4%**
Non-current liabilities				
Trade and other payables	200.8	82.0	118.8	-
Provisions	60.5	62.4	(1.9)	(3.0)%
Interest bearing liabilities	758.6	472.1	286.5	60.7%
Lease liabilities	624.3	629.7	(5.4)	(0.9)%
Deferred tax liabilities	20.9	19.4	1.5	7.7%
Total non-current liabilities	**1,665.1**	**1,265.6**	**399.5**	**31.6%**
Total liabilities	**10,002.7**	**7,659.6**	**2,343.1**	**30.6%**
Equity	**723.0**	**2,286.2**	**(1,563.2)**	**(68.4)%**
One-off BICC item[33]	1,840.2	-	1,840.2	-
Equity excluding one-off BICC item	**2,563.2**	**2,286.2**	**277.0**	**12.1%**

NET CASH/(DEBT)

Net cash (excluding BICC) was $1,230.2 million at 31 December 2019, compared to net cash of $1,622.4 million at 31 December 2018. Operationally, the increased number of recently awarded alliance construction projects with a different working capital profile, the continued significant growth in Mining, as well as cash outflows from capital expenditure supporting the growth of the business and tax payments, were the main contributing factors to this decrease.

Net cash was $831.6 million, impacted by the liquidity injections made to BICC during FY19 of $398.6 million.

Interest bearing liabilities

Current and non-current interest bearing liabilities amounted to $922.9 million at 31 December 2019.

During FY19, CIMIC successfully refinanced its core working capital cash facility, as part of its long-term financing strategy. The new syndicated bank facility is for $1.9 billion, split equally across two tranches of four and five years. It replaced an existing tranche in CIMIC's current facility as well as some maturing US dollar debt.

Bonding

CIMIC has significant bonding and guarantee facilities available. These bonds and guarantees are integral to the successful tendering and delivery of projects, and the ability to provide them is an important element of the Group's competitive offering to clients.

Bonds and guarantees outstanding at 31 December 2019 were $5.2 billion (31 December 2018: $4.5 billion). An additional $812.2 million (31 December 2018: $1.5 billion) was undrawn of which $753.4 million (31 December 2018: $1.1 billion) was committed and $58.8 million (31 December 2018: $419.3 million) was uncommitted. The undrawn and uncommitted bonds and guarantees provide significant capacity for the Group to tender for, and take on, more projects in the future.

Credit ratings

CIMIC has solid investment grade credit ratings by S&P (BBB/Stable/A-2) and Moody's (Baa2/Stable), both with a stable outlook, which reflect the strength of the Group's financial position. These ratings were reaffirmed on 23rd and 24th January 2020 after CIMIC's announcement to exit the Middle East. In the reports, which have also been released to the ASX, S&P published a bulletin titled "CIMIC's exit from the Middle East consistent with Group strategy" and Moody's published an issuer comment titled "Exit from the Middle East is credit positive".

[32] FY18 has been restated for the impact of AASB 16: *Leases* where required, effective 1 January 2019, and applied retrospectively during 2018. Refer to the Financial Report, 'Note 1: *Basis of preparation – new and amended standards adopted by the Company'* for details.
[33] One-off item in respect of the provisions and asset impairments (net of tax) of the Group's financial investment in BICC and exit from the Middle East region in FY19.

CURRENT ASSETS

Trade and other receivables

Trade and other receivables were $3,554.4 million at 31 December 2019, an increase of 13.8%, or $432.3 million, compared to 31 December 2018. The figure includes $2,607.9 million (31 December 2018: $2,297.1 million) of total contract debtors – trade and other receivables (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 $1,285.7 million at 31 December 2019. The increase is partly attributable to the growth in the Mining business where advance payments are not commonly received. CIMIC has also won a number of alliance construction contracts in Australia over the past year with a different working capital profile compared to infrastructure projects.

The level of factoring across the Group was $1,960.3 million as at 31 December 2019, which is consistent with the 31 December 2018 position of $1,953.0 million.

The Group's $675.0 million contract debtors portfolio provision remains unchanged as at 31 December 2019.

Inventories: consumables and development properties

Inventories: consumables and development properties were $400.1 million at 31 December 2019, an increase of $85.0 million compared to 31 December 2018. The increase was mainly driven by job-costed inventories held for large infrastructure projects.

NON-CURRENT ASSETS

Trade and other receivables

Trade and other receivables were $130.4 million at 31 December 2019, a decrease of $647.2 million compared to 31 December 2018. Following the Group's decision to exit the Middle East, the shareholder loans relating to BICC have been fully impaired to $nil (31 December 2018: $640.7 million).

Investments accounted for using the equity method

Equity accounted investments include project-related associates, joint ventures and PPP projects.

Investments accounted for using the equity method were $250.5 million at 31 December 2019, an increase of $113.9 million compared to 31 December 2018. The movement is mainly driven by new PPP investments in the year, partially offset by successfully achieving financial close on other PPP projects. For further details refer to the Financial Report, 'Note 13: *Investments accounted for using the equity method*'.

Deferred tax asset

Deferred tax assets were $1,025.2 million at 31 December 2019, an increase of $955.6 million compared to 31 December 2018. This variation is mainly due to the tax recognition of the one-off BICC impairment.

Property, plant and equipment

Property, plant and equipment was $2,279.1 million at 31 December 2019, an increase of 10.2%, or $211.0 million, compared to 31 December 2018. At 31 December 2019, $902.1 million worth of equipment was financed by the Group through leases. Additions to property, plant and equipment during the period included investment in job-costed tunnelling machines for major road and rail projects and ongoing investment in mining equipment, driven by revenue growth.

Intangibles

Intangibles were $1,104.4 million at 31 December 2019, an increase of 1.0%, or $10.9 million, compared to 31 December 2018. The balance mainly consists of goodwill in relation to the Construction and Services businesses.

CURRENT LIABILITIES

Trade and other payables

Trade and other payables were $6,024.6 million at 31 December 2019, an increase of 6.3%, or $354.9 million, compared to 31 December 2018. This figure includes $1,322.2 million (31 December 2018: $1,198.2 million) of total contract liabilities – trade and other payables. The remaining balance includes trade creditors and accruals, joint venture payables and other creditors.

Current tax liabilities

Current tax liabilities were $60.3 million at 31 December 2019, a decrease of $8.1 million compared to 31 December 2018. Changes in tax liabilities are driven by the timing of the various income tax payments as required to be made across the numerous jurisdictions in which the Group operates.

Provisions

Provisions were $327.2 million at 31 December 2019, an increase of $1.2 million compared to 31 December 2018. The provisions are for employee benefits and relates to wages and salaries, annual leave, long service leave, retirement benefits and deferred bonuses.

Financial liability

A financial liability of $1,483.4 million has been recognised as at 31 December 2019. This represents the amounts expected to be paid in relation to BICC facilities where CIMIC provides a guarantee. Refer to the Financial Report, 'Note 4: *Significant item; Provisions and Asset Impairment in relation to Middle East exit*' for further details.

NON-CURRENT LIABILITIES

Trade and other payables

Trade and other payables were $200.8 million at 31 December 2019, an increase of $118.8 million compared to 31 December 2018.

Provisions

Provisions were $60.5 million at 31 December 2019, a decrease of 3.0%, or $1.9 million, compared to 31 December 2018. This figure includes employee benefits relating to long service leave, retirement benefits and deferred bonuses.

EQUITY

Equity (excluding BICC) was $2,563.2 million as at 31 December 2019, an increase of $277.0 million, or 12.1%, compared to 31 December 2018. This was driven by the Group's operational performance resulting in net profit (excluding BICC) of $800.3 million, offset by dividend payments of $509.1 million for the year.

Equity was $723.0 million as at 31 December 2019, a decrease of $1,563.2 million compared to 31 December 2018. The decrease is due to the one-off item in relation to the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region.

CASH FLOWS

Cash flows $m	Pre-factoring 2019	Pre-factoring 2018[34]	chg. $	Post-factoring 2019	Post-factoring 2018[34]
Operating cash flow	**1,707.0**	**658.4**	**1,048.6**	**1,714.3**	**2,053.4**
Interest, finance costs and taxes	(463.8)	(150.4)	(313.4)	(463.8)	(150.4)
Net operating cash flow	**1,243.2**	**508.0**	**735.2**	**1,250.5**	**1,903.0**
Gross capital expenditure	(774.4)	(547.4)	(227.0)	(774.4)	(547.4)
Gross capital proceeds	22.5	82.6	(60.1)	22.5	82.6
Net capital expenditure	**(751.9)**	**(464.8)**	**(287.1)**	**(751.9)**	**(464.8)**
Free operating cash flow	**491.3**	**43.2**	**448.1**	**498.6**	**1,438.2**
EBITDA (excl. BICC)[35]	**2,146.7**	**1,900.8**	**245.9**	**2,146.7**	**1,900.8**
EBITDA cash conversion[36]	**80%**	**35%**		**80%**	**108%**

Cash flows from investing activities $m	2019	2018[34]	chg. $	chg. %
Payments for intangibles	(15.4)	(5.4)	(10.0)	-
Payments for property, plant and equipment	(774.4)	(547.4)	(227.0)	41.5%
Payments for investments in controlled entities and businesses	(14.0)	(22.7)	8.7	(38.3)%
Proceeds from sale of property, plant and equipment	22.5	82.6	(60.1)	(72.8)%
Proceeds from sale of investments	-	1.2	(1.2)	-
Cash acquired from acquisition of investments in controlled entities and businesses	18.0	0.7	17.3	-
Payments for investments	(29.1)	(53.1)	24.0	(45.2)%
Loans to associates and joint ventures	-	(1.1)	1.1	-
Net cash from investing activities (excl. BICC)[37]	**(792.4)**	**(545.2)**	**(247.2)**	**45.3%**
One-off BICC item 2019[38]	(398.6)	-	(398.6)	**-**
Net cash from investing activities	**(1,191.0)**	**(545.2)**	**(645.8)**	**-**

Cash flows from financing activities $m	2019	2018[34]	chg. $	chg. %
Cash payments for share buybacks	(16.7)	-	(16.7)	-
Proceeds from borrowings	1,191.8	407.7	784.1	-
Repayment of borrowings	(801.8)	(835.6)	33.8	(4.0)%
Repayment of leases	(320.0)	(191.8)	(128.2)	66.8%
Dividends paid to shareholders of the Company	(509.1)	(470.2)	(38.9)	8.3%
Dividends paid to non-controlling interests	(4.2)	-	(4.2)	-
Net cash from financing activities	**(460.0)**	**(1,089.9)**	**629.9**	**(57.8)%**

[34] FY18 has been restated for the impact of AASB 16: *Leases* where required, effective 1 January 2019, and applied retrospectively during 2018. Refer to the Financial Report, 'Note 1: *Basis of preparation – new and amended standards adopted by the Company'* for details.
[35] 2019 EBITDA excludes the one-off item in respect of the provisions and asset impairments of the Group's financial investment in BICC and exit from the Middle East region.
[36] 2019 EBITDA cash conversion is calculated on EBITDA excluding one-off BICC item.
[37] Excludes the $398.6 million funded to BICC in FY19.
[38] Funding provided to BICC in FY19.

OPERATING CASH FLOWS

Operating cash flows pre-factoring have improved substantially, increasing by $1,048.6 million to $1,707.0 million in FY19. This is attributable to a strict focus on managing working capital and generating sustainable cash-backed profits.

Operating cash flows were $1,714.3 million for FY19, with the change to the previous year being attributable to 2019's stable factoring balance.

The Group has maintained a solid EBITDA cash conversion rate of 80% (excluding BICC) during FY19.

Net cash from operating activities decreased by $652.5 million to $1,250.5 million in FY19. This is attributable to additional income tax payments of $292.3 million. Changes in taxes paid are impacted by the timing of payments and receipt of refunds outside of the financial year to which they relate.

CASH FLOWS FROM INVESTING ACTIVITIES

Net cash outflows from investing activities were $1,191.0 million for FY19 compared to an outflow of $545.2 million in FY18.

The outflow of cash was mainly due to gross capital expenditure of $774.4 million for FY19, an increase of $227.0 million compared to FY18. This increase reflects a sustained level of investment in tunnelling equipment to support the delivery of large transport related infrastructure projects with ongoing investment in mining equipment driven by revenue growth in that market.

During the period the Mining & Mineral Processing business acquired a controlling interest in Majwe Mining in Botswana, and the Services business purchased an engineering company from RCR Tomlinson that operates in the infrastructure, energy and resource sectors.

Additionally, liquidity injections of $398.6 million were made to BICC in the FY19.

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash outflows from financing activities were $460.0 million for FY19 compared to $1,089.9 million in FY18. This outflow mainly represents proceeds from borrowings, largely offset by repayment of leases, borrowings and dividends paid.

NEW WORK AND WORK IN HAND

CIMIC was awarded $18.0 billion worth of new work in FY19. This new work helps to maintain the Group's position as a leading international contractor and the world's largest mining service provider and supports the delivery of sustainable returns to shareholders.

The Group's total work in hand was $37.5 billion at 31 December 2019, equivalent to more than two years' worth of revenue. Work in hand in the Group's Operating Companies was $35.3 billion, up 4.4%, or $1.5 billion, compared to 31 December 2018.

Work in hand $m	December 2019	December 2018	chg. $	chg. %
Work in hand beginning of period	36,706.1	36,009.9	696.2	1.9%
New work	18,011.7	17,949.0	62.7	0.3%
Executed work	(17,207.1)	(17,252.8)	45.7	(0.3)%
Total work in hand end of period	**37,510.7**	**36,706.1**	**804.6**	**2.2%**
Operating Companies' work in hand	35,316.1	33,833.1	1,483.0	4.4%
Corporate work in hand	2,194.6	2,873.0	(678.4)	(23.6)%
Total work in hand end of period	**37,510.7**	**36,706.1**	**804.6**	**2.2%**

In FY19, work in hand was split 82:18 between the Group's domestic and international markets, compared with 78:22 in FY18.

MAJOR CONTRACT AWARDS AND SCOPE INCREASES IN 2019

CIMIC's work in hand continues to be broadly diversified by segment as well as by activity and geography.

Work in hand by segment $m	December 2019	%	December 2018	%	chg. $	chg. %
Construction	16,228.9	43%	15,254.3	42%	974.6	6.4%
Mining & Mineral Processing	10,142.9	27%	11,159.3	30%	(1,016.4)	(9.1)%
Services	8,944.3	24%	7,419.5	20%	1,524.8	20.6%
Total Operating Companies' work in hand	**35,316.1**	**94%**	**33,833.1**	**92%**	**1,483.0**	**4.4%**
Corporate work in hand	2,194.6	6%	2,873.0	8%	(678.4)	(23.6)%
Total work in hand	**37,510.7**	**100%**	**36,706.1**	**100%**	**804.6**	**2.2%**

CONSTRUCTION WORK IN HAND

Construction work in hand was $16.2 billion at 31 December 2019, an increase of 6.4%, or $974.6 million compared to 31 December 2018. Construction work in hand is broadly diversified across a range of markets and sectors in Australia, New Zealand and the Asia-Pacific region.

MINING & MINERAL PROCESSING WORK IN HAND

Mining & Mineral Processing work in hand was $10.1 billion at 31 December 2019, a decrease of 9.1%, or $1.0 billion compared to 31 December 2018. Over the course of FY19, CIMIC continued to broaden its portfolio in this segment by commodity and geography.

SERVICES WORK IN HAND

Services work in hand was $8.9 billion at 31 December 2019, up 20.6%, or $1.5 billion compared to 31 December 2018. The services work in hand is diversified across a range of markets in Australia and Asia-Pacific.

CORPORATE WORK IN HAND

Corporate work in hand was $2.2 billion at 31 December 2019, a decrease of 23.6%, or $678.4 million, compared to 31 December 2018. Corporate work in hand includes CIMIC's share of work in hand from investments such as BICC and Ventia.

NEW WORK IN 2019

In Australia and New Zealand, a number of significant projects were annouced during the year, with revenues to the Group as follows:

- $2.7 billion PPP project to deliver the Tunnel, Stations and Development package of Brisbane's Cross River Rail, Queensland;
- $1.3 billion contract extension at Curragh Mine, Queensland;
- $900 million alliance contract to deliver the Rail, Integration and Systems package of Brisbane's Cross River Rail Project, Queensland;
- $761 million to design and construct Stage 2 of the Monash Freeway upgrade, Victoria;
- $725 million PPP project to design, construct, commission and maintain the Regional Rail Project, New South Wales;
- $630 million contract extension for the delivery of maintenance services at Sydney Trains, New South Wales;
- $463 million to design and construct the new Sydney Metro City & Southwest Pitt Street Station, New South Wales;
- $424 million to deliver Stage 2 of the Campbelltown Hospital Redevelopment project, New South Wales;
- $423 million alliance contract to deliver the Yanchep Rail Extension and the Thornlie to Cockburn Link components of Perth's Metronet, Western Australia;
- $379 million to deliver Stage 1 of the Nepean Hospital Redevelopment, New South Wales;
- $366 million PPP contract extension to the existing NRT PPP contract on Sydney Metro, New South Wales;
- $331 million to deliver an upgrade to a section of Melbourne's M80 Ring Road, Victoria;
- $323 million to deliver an earthworks project for the construction of Western Sydney's International Airport, New South Wales;
- $214 million to deliver the Christchurch Metro Sports Facility, New Zealand;
- $210 million to deliver Auckland Airport's Taxiway Mike and Remote Stands Stage 2 project, New Zealand;
- $195 million to deliver the Early Works package for Melbourne's North East Link, Victoria;
- $190 million to provide implementation services on the Woodside operated Karratha Gas Plant, Western Australia;
- $158 million alliance contract to construct the next stage of works on the Sunbury Line Upgrade, Victoria;
- $155 million to provide engineering, procurement and construction services at Byerwen Mine, Queensland; and
- $110 million to deliver stages 1 & 2 of the new Inner-city South State Secondary College in Dutton Park, Queensland.

Significant overseas projects announced during the year included:

- $1.7 billion to undertake mining services at Jwaneng Cut 9 diamond mine, Botswana; and
- $172 million contract extension to expand operations at Melak coal mine, Indonesia.

RISK MANAGEMENT

CIMIC defines risk management as the identification, assessment and treatment of risks that have the potential to materially impact 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 2018 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. Governance of environmental performance is over seen by the Ethics, Compliance and Sustainability Committee.
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 FY19

- On 23 January 2020 the Group announced to the ASX that it had completed an extensive strategic review of its financial investment in BICC, a company operating in the Middle East. After thorough evaluation of all available options, CIMIC has decided to exit the region and to focus its resources and capital allocation on growth opportunities in its main core markets and geographies. This has resulted in a one-off post tax impact of $(1.8) billion relating to the financial investment of BICC as a result of the decision to exit the Middle East region.
- On 13 December 2019, CIMIC announced a further on-market share buyback of up to 10% of CIMIC's fully paid ordinary shares for a period of 12 months commencing 29 December 2019; no shares have been bought back under this scheme. During the previous share buyback which ended on 28 December 2019, 527,341 shares were bought back for $16.7 million and the shares were subsequently been cancelled.
- On 4 February 2020 the Group has appointed a new Chief Executive Officer and Managing Director, Juan Santamaria. The appointment is effective from 5 February 2020.

SHAREHOLDERS

The largest shareholder in CIMIC is HOCHTIEF Australia Holdings Limited, a wholly owned subsidiary of HOCHTIEF AG, which owns 72.8% of CIMIC as at 31 December 2019. HOCHTIEF AG is listed on the Frankfurt Stock Exchange. The largest shareholder in HOCHTIEF AG is Spanish based company Actividades de Construcción y Servicios, SA (ACS), which held 50.41% of the shares in HOCHTIEF as at 31 December 2019.

STRATEGY AND OPERATING ENVIRONMENT OUTLOOK

CIMIC is an engineering-led construction, mining, services and PPP leader with a history dating back to 1899 and around 40,000 people delivering services in 20 countries. Our mission is to generate sustainable shareholder returns by delivering innovative and competitive solutions for clients, and safe, fulfilling careers for our people. 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 are expected to continue to grow and provide a broad range of opportunities for the foreseeable future.

OPERATING MODEL AND STRATEGY

CIMIC operates through activity-based businesses in construction, mining & mineral processing, operation and maintenance services, PPPs and engineering. These businesses deliver services in Australia and select markets in Asia, the near Pacific, Southern Africa, and the Americas.

CIMIC's strategy has the following key elements:

- to be an engineering-led, industry-leading group with a balanced portfolio diversified by market sector, activity, geography, type of client, contract type, volume and duration. This diversification and our scale reduce earnings volatility, facilitates the management of risk and helps to create sustainable returns;
- to offer integrated solutions through a complementary suite of capabilities for the entire life-cycle of assets – from development and financing to engineering, construction, mining, and operations and maintenance;
- to selectively export the Group's capabilities and expand into other markets which meet our governance, risk, and return requirements, either organically or through acquisition; and
- to utilise common systems and processes to facilitate the sharing of innovation and knowledge.

Underpinning the strategy is the pursuit of operational excellence in terms of:

- identifying value-adding engineering solutions;
- applying a disciplined approach to risk management;
- rigorously managing cash;
- maintaining a tight control on costs; and
- ensuring an uncompromising focus on safety.

Fundamental to the delivery of the strategy is a strong balance sheet, which supports organic growth and provides flexibility in capital expenditure and investments into PPPs, as well as strategic capital allocation opportunities including acquisitions.

Our financial policy is to manage net debt to a level that supports a strong investment grade rating.

CONSTRUCTION MARKET

Across the Group's core construction markets of Australia, New Zealand and selected countries in the Asia-Pacific region, governments and the private sector are continuing to invest significantly to meet sustained demand for economic and social infrastructure. This investment is necessary to address historic underinvestment, support population growth and ageing populations, meet market and technological changes - such as the transition to renewables and the digital transformation - tackle climate change and to facilitate economic growth and productivity. This infrastructure investment should continue to deliver a broad and growing suite of project opportunites that underpins the Group's positive outlook for the construction market.

Australia's construction market is expected to remain strong, with transport infrastructure remaining a key contributor of opportunities. Underpinning the transport sector are a number of very substantial road and rail projects in the major capital cities, supplemented by the continued upgrading of interstate transport routes and investment to facilitate rail freight.

Federal, State and Territory Governments have all put forward substantial infrastructure programs in their most recent budgets. In the 2019-20 Budget, the Australian Federal Government outlined a $100 billion commitment to fund national building infrastructure over the next decade, with major investments in every state and territory[39]. In November 2019, the Federal Government announced that it was bringing forward $3.8 billion of infrastructure spending to provide more economic stimulus[40].

In New South Wales, the 2019-20 State Government Budget outlines a record $93 billion capital works program over the next four years, of which $55.6 billion is to be spent on transport infrastructure - including funding commitments for the delivery of Sydney Metro West, WestConnex and the Sydney Gateway project[41]. The Victorian Government's infrastructure investment is projected to be $53.7 billion from 2019-20 to 2022-23 – including funding commitments for the North East Link, Suburban Roads Upgrade, Melbourne Airport Rail and the removal of additional level crossings[42]. In the most recent Queensland State Budget, the government outlined a $49.5 billion infrastructure investment program over the next four years, which includes funding commitments for the Cross River Rail project, Bruce Highway upgrades and the M1 Pacific Motorway upgrades[43]. The other Australian State and Territory Governments are also expected to invest in transport projects, providing a broad range of construction opportunities for the Group.

Within these State Government Budgets are substantial investments on hospitals and health care, reflecting the country's ageing and growing population. This investment should sustain a range of opportunities in the capital cities and in major regional centres. The Budgets also earmark considerable funding for water and energy projects, many of which are expected to suit the Group's capabilities and offer construction opportunities.

In New Zealand, the Government remains committed to improving the nation's infrastructure, removing bottlenecks and improving productivity. As part of this commitment, New Zealand's newly established independent Infrastructure Commission, Te Waihanga, released a planned infrastructure projects pipeline of NZ$21.1 billion. The pipeline identifies over 500 credibly proposed and committed infrastructure projects from 15 government agencies and local councils that are planned for delivery over the next decade[44].

The Group's other international construction markets are expected to sustain high levels of investment in economic and social infrastructure projects which should continue to deliver a broad range of opportunities.

PPP MARKET

Governments across Australia, New Zealand and the Asia-Pacific are increasingly embracing PPPs as a model for the financing and delivery of infrastructure projects, notably in the sectors of transport and social infrastructure. PPPs are often cited as potentially providing a range of benefits that include:

- allowing governments to free up their budgets by leveraging access to private capital;
- incentivising the private sector to deliver projects on time and within budget;
- using private sector technology and innovation to provide better public services through improved operational efficiency;
- imposing budgetary certainty by setting the present and future costs of infrastructure projects over time; and
- extracting long-term value-for-money through appropriate risk transfer to the private sector over the life of a project – from design and construction to operations and maintenance[45].

In Australia, the Coalition of Governments continues to support the National PPP Policy Framework which established that projects valued over $50 million should be considered for PPP procurement[46]. In New Zealand, the Government is actively pursuing non-traditional procurement options, involving greater private sector involvement in the provision of both infrastructure and services, where these can demonstrate greater value for money to the public sector.

Growth in the PPP market - in part driven by an increasing acceptance by the public of a user-pays model - is creating a range of opportunities. CIMIC's PPP pipeline is currently estimated to be $130 billion. This pipeline includes some large heavy rail and light rail projects, numerous road projects, and a range of social infrastructure projects, including schools, prisons - with scope to provide non-custodial services, hospitals and utilities.
Our ability to provide an end-to-end service offering and strong competitive position, positions the Group to pursue the emerging prospects in this market. Opportunities in the PPP market are likely to continue to include varying combinations of design, construction, finance and operation and maintenance of infrastructure.

---

[39] Commonwealth of Australia, Budget Strategy and Outlook, Budget Paper No. 1 2019-20, April 2019, p. 1-15.
[40] 'Government to bring forward infrastructure spending to help stimulate the economy', www.news.com.au, 20 November 2019.
[41] New South Wales State Budget, Infrastructure Statement 2019-20, Budget paper No. 2, 2019-20, June 2019, p. 1-1 and 2-13.
[42] Victoria State Budget 2019-20, State Capital Program, Budget Paper No. 4, 2019-20, May 2019, p. 1, 3, 21 and 81.
[43] Queensland State Budget, Capital Statement, Budget Paper No. 3, 2019-20, June 2019, p.1, 5 and 6.
[44] New Zealand Infrastructure Commission – Te Waihanga, 11 November 2019 - https://infracom.govt.nz/news/commission-news/step-closer-to-improved-infrastructure-planning.
[45] World Bank Group, Government Objectives: Benefits and Risks of PPPs, 31 October, 2016 - https://ppp.worldbank.org/public-private-partnership/overview/ppp-objectives.
[46] Department of Infrastructure and Regional Development, National PPP Policy Framework, October 2015, p. 7.

MINING & MINERAL PROCESSING MARKET

Population growth, increasing urbanisation, rising living standards and sustained economic growth are expected to continue across much of Asia for the foreseeable future and to sustain demand for energy and minerals. Additionally, limited substitutes for the major commodities mined or processed by the Group supports a positive outlook for this market.

Australia's resource and energy exports are forecast to increase to a record $281 billion in 2019–20, helped by a 5.9% rise in export volumes this year. On current forecasts, Australian exports by volume are expected to grow by 3.5% per annum for metallurgical coal, 0.9% for thermal coal, 3.0% for iron ore and 9.5% for nickel until 2020-21[47]. As leaders in the mining services and mineral processing sectors, Thiess and Sedgman will continue to benefit from this robust demand.

Outside of Australia, CIMIC will continue to selectively export the Group's mining and mineral processing capabilities and seek opportunities to expand into markets which meet our governance, risk, and return requirements.

We are seeing increased opportunities to provide value-adding services to new and existing clients domestically and abroad, particularly in coal and iron ore. Furthermore, the ongoing transition to cleaner energy sources and solutions will gradually create opportunities for the extraction and processing of minerals used in alternative technologies, such as solar and batteries.

SERVICES MARKET

Sustained investment in infrastructure - creating a larger capital stock – and a degree of underinvestment in the past on maintenance services should continue to support a growing market for the provision of operations and maintenance services. In addition, asset owners are increasingly seeing the benefit of outsourcing their maintenance services to drive productivity improvements and to pursue operational efficiencies.

The Australian maintenance services market is expected to be worth approximately $42.4 billion in 2018-19, of which 56.4% is outsourced to the private sector. The outsourced maintenance market is forecast to increase by 33% over the next decade with growth expected in the engineering, construction, maintenance, and operation services in the rail, transportation, technology, energy, resources, water, renewable energy, and defence sectors[48].

CIMIC is well positioned to benefit from this growing market, leveraging the Group's complementary suite of activities, and will continue to seek opportunities to grow its capabilities in existing and new markets.

---

[47] Australian Government (Office of the Chief Economist) Department of Industry, Innovation and Science: Resources and Energy Quarterly, December 2019, p. 7 & 14.

[48] BIS Economics, Maintenance in Australia 2019-23, February 2019, p. 8 and Appendix A.1 - Australia (Outsourced).

FUTURE DEVELOPMENTS

GROUP PROSPECTS

CIMIC's core markets – in construction, PPPs, mining & mineral processing, operations and maintenance services, and engineering – continue to offer a broad range of opportunities. CIMIC's work in hand and a substantial pipeline of future projects support our positive outlook.

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

- Western Harbour Tunnel and Warringah Freeway Upgrade, Transport for NSW, New South Wales;
- M6 Stage 1 (Arncliffe to Kogarah), Transport for NSW, New South Wales;
- Sydney Metro West – Tunnels and Excavation package/s, Transport for NSW, New South Wales;
- Stage 2 of the 'More Trains More Services' program, Transport for NSW, New South Wales;
- Supply and maintenance of locomotives for 10 years, Pacific National, New South Wales;
- North East Link - Primary Package (Kempston Street to Southern Portal) as a PPP, Major Transport Infrastructure Authority, Victoria;
- Suburban Roads Upgrade projects as a PPP, Major Roads Project, Victoria;
- Inland Rail (Gowrie to Kagaru section) as a PPP, Australian Rail Track Corporation (ARTC), Queensland;
- High capacity interconnector, ElectraNet, from South Australia to New South Wales;
- Stage 1 of the Auckland Light Rail - Main Works, New Zealand Transport Agency, New Zealand;
- New elective surgery unit at Auckland North Shore Hospital, Ministry of Health, New Zealand;
- Third Runway Concourse and Apron Works, Airport Authority, Hong Kong;
- Baggage handling and people mover infrastructure, Airport Authority, Hong Kong;
- Packages of the Jurong Regional Line (stations and viaducts), Land Transport Authority, Singapore;
- Phase 1 of the Cross Island Line (rail tunnel at Changi airport), Land Transport Authority, Singapore;
- Extension at the Lake Vermont mine, Jellinbah Group, Queensland;
- Olive Downs South mine, Pembroke Resources, Queensland;
- Mining at the Eagle Downs joint venture, South 32, Queensland;
- Extension project at the Vickery mine, Whitehaven Coal, New South Wales;
- Various other mining & processing opportunities across Queensland, New South Wales and Western Australia;
- Mining at the Grassy Mountain metallurgical coal project, Riversdale Resources, Canada; and
- Various mining projects in Canada and Chile.

The Group has an extensive pipeline with at least $160 billion of tenders relevant to CIMIC to be bid and/or awarded in 2020. Around $380 billion of projects are coming to the market in 2021 and beyond, including about $130 billion worth of PPP projects.

CIMIC continues to consider opportunities to diversify and expand into new regions and markets by leveraging its existing capabilities. The Group is also continuing to analyse opportunities to make acquisitions which broaden the service offering.

The Group's positive outlook is founded on a disciplined focus of sustaining a strong balance sheet, generating cash, and rigorous approach to tendering and project delivery. This focus, combined with the Group's strong competitive position and the range of opportunities across the core markets, provides a solid base for the generation of sustainable returns.

GUIDANCE

CIMIC expects 2020 NPAT to be in the range of $810 million to $850 million, subject to market conditions.

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 2019) are set out below.

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 2019 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 2019 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		
Ignacio Segura Suriñach	Deputy CEO and Chief Operating Officer	Commenced employment and became KMP on 9 April 2018.
Stefan Camphausen	CFO	Appointed as CFO and became KMP on 1 June 2017.

The remuneration components described in this section apply to Mr Wright, Mr Segura Suriñach and Mr Camphausen. The remuneration arrangements applicable to Mr Fernández Verdes are described separately in the 'Remuneration – Executive Chairman' section of this Remuneration Report.

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.

There are no changes to the fixed remuneration for senior executives for 2020.

STI

Summary of 2019 STI

<table>
<tr><td>Senior Executive participation</td><td colspan="2">Mr Wright, Mr Segura Suriñach and Mr Camphausen participated in the 2019 STI. Mr Fernández Verdes did not participate in the STI.</td></tr>
<tr><td>How much could Senior Executives earn under the 2019 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 2019 were:

<table><tr><th colspan="3">Percentage of Total Fixed Remuneration (TFR)</th></tr><tr><th>Threshold</th><th>Target</th><th>Stretch</th></tr><tr><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></table></td></tr>
<tr><td>Over what period was performance measured?</td><td colspan="2">The 2019 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 2019, this financial component was based on NPAT and operating cash flow.</td><td>Personal/Non-financial measures
20% of the amount that could be earned as STI was based on performance against safety targets and/or other personal/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 personal/non-financial measures are designed to encourage a direct relationship between the individual Senior Executive's role and measures of performance set. 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 2019 Financial Year.</td></tr>
<tr><td>How was performance against targets assessed?</td><td colspan="2">Performance against financial and personal/non-financial key performance indicators (KPIs) was assessed following the end of the 2019 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 2019 Financial Year

The Board determined that there are no STI payments for Senior Executives for the 2019 Financial Year.

LTI

There was no LTI grant in the 2019 Financial Year. The table below provides a summary of the 2015 LTI currently on foot.

Summary of 2015 LTI grants

Senior Executive participation	Mr Wright and Mr Camphausen participated in the 2015 LTI. Mr Fernández Verdes and Mr Segura Suriñach did not participate in the LTI.
What are the vesting conditions and why were they chosen?	Options 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 38: 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. In October 2018, the Company determined that the vested options available to be exercised in years 2 and 3 of the exercise window will also be settled in cash in lieu of an allocation of shares as described above.
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.
Does the LTI plan provide for clawback?	Under the LTI plan rules the Board has the necessary discretion to withhold or vary the LTI in the event that this is needed.
Can Senior Executives hedge their risk under the option plan?	No. The Group's Securities Trading Policy 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 of the Executive Board 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 provides for the allowance amount to be indexed in line with CPI changes, however this will not be applied for 2020 and so there will be no change for the year. Prior to 2019, Mr Fernández Verdes was paid an allowance on which Fringe Benefits Tax (FBT) was payable due to his travel patterns and living away from home arrangements while in Australia. From January 2019, Pay As You Go (PAYG) withholding tax is payable rather than FBT to reflect a change in his travel patterns. This change in tax treatment results in a decrease in the gross amount payable in order to maintain the net allowance (subject to CPI changes noted above):

Year	Gross allowance amount (A$)	Reason
2018	518,124	Effective 1 January 2018 to accommodate 1.8% CPI increase
2019	475,243	Effective 1 January 2019 to accommodate 1.9% CPI increase to the net allowance amount and change to PAYG withholding tax payable. The change in tax treatment results in a lower gross allowance amount.
2020	475,243	No change.

- 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 Chairman of the Executive Board of HOCHTIEF AG, 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 were exercisable for 3 years from the date of vesting. No more than 40% of the SARs could be exercised each year for the first 2 years after vesting, and any remaining SARs could be exercised in the final year of the exercise period.

The SARs would have lapsed on 13 March 2019 unless they had 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 would have forfeited any unvested or vested but unexercised SARs if his employment was 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 18 February 2019, Mr Fernández Verdes exercised 240,000 SARs (20% of the total number of SARs available to exercise in the third year after vesting, prior to the final exercise date) resulting in a gross cash payment of $7,704,000. The payment was calculated by reference to the CIMIC closing share price on 15 February 2019 of $49.81.

There are no outstanding SARs at the end of the 2019 Financial Year.

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$)	Test date (vesting date)	Vested (%)	Forfeited (%)	Exercised (number)	Outstanding as at 31 Dec 2019 (number)	Total maximum potential value of remaining grant[1] (A$)
10 June 2014	1,200,000	17.71	13 March 2016	100	-	1,200,000[2]	-	-

1. The maximum potential value is calculated as the number of outstanding SARs multiplied by the maximum payment per SAR ($32.29).
2. 960,000 SARs were exercised in the 2017 Financial Year. Refer to page 65 of the 2017 Annual Report for further information.

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 appreci-ation (%)	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 2019	43.17	33.14	(23.2)	1.57	5.1	(3.21)	(1,625)	(1,040)	(69)	1,713	127.6
FY 2018	51.45	43.41	(15.6)	1.45	96.2	2.40[4]	1,072[4]	779[4]	37[4]	2,051[4]	22.9[4]
FY 2017	35.38	51.45	45.4	1.22	154.3	2.17	959	702	27[4]	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

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. For FY 2018 the metrics included here have been restated to reflect the impact of the new accounting standards on implementation of AASB 16: Leases as restated in the Financial Statements. The financial report has been restated accordingly for FY 2018 and FY 2019 has been prepared under the new accounting standards. In addition, FY 2017 equity metrics have been restated to reflect implementation of AASB 9: Financial instruments and AASB 15: Revenue from Contracts with Customers.

STATUTORY SENIOR EXECUTIVE REMUNERATION TABLE

	SHORT-TERM EMPLOYEE BENEFITS				POST-EMPLOYMENT		SUBTOTAL (A$)
	Cash salary (A$)	Cash bonuses (STI) (A$)	Non-monetary benefits (A$)(a)	Other (A$)(b)(c)(d)	Super-annuation benefits (A$)	Termination benefits (A$)	
Senior Executives							
M Fernández Verdes							
2019 Financial Year	-	-	19,103	475,243	-	-	494,346
2018 Financial Year	-	-	6,446	518,124	-	-	524,570
M Wright							
2019 Financial Year	1,332,871	-	72,788	66,000	20,767	-	1,492,426
2018 Financial Year	1,278,172	1,000,000	46,530	72,000	20,290	-	2,416,992
I Segura Suriñach*							
2019 Financial Year	1,175,819	-	-	294,087	-	-	1,469,906
2018 Financial Year[1]	866,012	500,000	-	400,000	-	-	1,766,012
S Camphausen							
2019 Financial Year	837,967	-	-	-	20,767	-	858,734
2018 Financial Year	753,743	607,500	-	-	20,290	-	1,381,533

* This table sets out the payments and benefits to each Senior Executive from the date they were appointed as a Senior Executive.

1. Mr Segura Suriñach commenced as Deputy CEO and Chief Operating Officer on 9 April 2018.

LONG-TERM EMPLOYEE BENEFITS			TOTAL PAYMENTS AND ACCRUALS (A$)	PERCENTAGE OF BONUSES (%)[f]	PERCENTAGE OF SHARE-BASED INCENTIVE (%)[g]
SARs fair value (A$)[e]	Share rights fair value (LTI) (A$)[e]	Options fair value (A$)[e]			
1,630,642	-	-	2,124,988	-	-
(1,281,600)	-	-	(757,030)	-	-
-	-	(210,156)	1,282,270	-	(16.4)
-	-	281,514	2,698,506	37.1	10.4
-	-	-	1,469,906	-	-
-	-	-	1,766,012	28.3	-
-	-	(11,025)	847,709	-	(1.3)
-	-	69,607	1,451,140	41.9	4.8

(a) Non-monetary benefits included such items as fringe benefits and other salary-sacrificed benefits as agreed from time to time. For Mr Fernández Verdes and Mr Wright, these amounts pertain to transport benefits considered necessary by the Company in the execution of their duties.

(b) For Mr Fernández Verdes, the 2019 and 2018 Financial Year amounts pertain to the annual allowance amount approved for 2019 and 2018 (respectively).

(c) For Mr Wright, this amount pertains to the living away from home allowance amount for 2019 and 2018 and ceased on 1 December 2019. Refer to the 'Summary of Executive Services Agreements' section of this Remuneration Report for further information.

(d) For Mr Segura Suriñach, the 2019 Financial Year amount pertains to the role allowance for a 12 month period starting from 1 April 2019. The 2018 Financial Year amount pertains to the one off relocation payment in 2018. Refer to the 'Summary of Executive Services Agreements' section of this Remuneration Report for further information.

(e) 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 2019 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 38: Employee benefits' for further information.

(f) The percentage calculation is based on the cash STI received in the 2019 Financial Year as a percentage of total payments and accruals.

(g) The percentage of each Senior Executive's remuneration for the 2019 Financial Year that consisted of equity as a percentage of total payments and accruals.

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		
	M Wright	**I Segura Suriñach**	**S Camphausen**
Annual review of remuneration	Yes	Yes	Yes
Length of notice period where either party is able to terminate the ESA	6 months	3 months	3 months
Specified term of employment	No	No	No
Specified payments on termination (apart from any payments in lieu of notice and any payable statutory entitlements)	No	No	No[1]
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[2]	On the commencement date of employment, a 'one off' relocation payment of $400,000 as a contribution to meeting relocation expenses	No
Restraint period to apply following termination	3 months	3 months	3 months

1. For the purposes of calculating Mr Camphausen's long service leave entitlement, his prior service at HOCHTIEF AG will be recognised.
2. Mr Wright's living away from home allowance ceased on 1 December 2019.

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 2019 are set out in the following table.

Non-executive Directors during 2019

Name	Title (at 31 December 2019)	Change during the 2019 Financial Year
Current Non-executive Directors		
Russell Chenu	Independent Non-executive Director	
José-Luis del Valle Pérez	Non-executive Director	
Pedro López Jiménez	Non-executive Director	
David Robinson	Non-executive Director	
Peter-Wilhelm Sassenfeld	Non-executive Director	
Kathryn Spargo	Independent Non-executive Director	
Alternate Directors		
Robert Seidler AM	Alternate Director for Mr del Valle Pérez	
Adolfo Valderas	Alternate Director for Mr López Jiménez	
Ángel Muriel	Alternate Director for Mr Sassenfeld	
Former Non-executive Director		
Trevor Gerber	Independent Non-executive Director	Ceased 31 December 2019

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

Fees have remained unchanged during 2019.

Board and Committee fees for 2019

Name	Chair[1] (A$)	Member (A$)
Board	nil	189,000
Audit and Risk Committee	56,375	31,000
Ethics, Compliance and Sustainability Committee	41,000	21,000
Remuneration and Nomination Committee	41,000	21,000
Board Sub-Committee[2]	4,000	4,000

1. Mr Fernández Verdes receives no additional remuneration from the fee pool for his duties as Executive Chairman. 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 Board Sub-Committee.

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 2019 Financial Year and 2018 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$)	
Current Non-executive Directors					
R Chenu					
2019 Financial Year	287,375	-	-	20,767	308,142
2018 Financial Year	287,375	-	-	20,290	307,665
J del Valle Pérez					
2019 Financial Year	231,000	-	-	-	231,000
2018 Financial Year	231,000	-	-	-	231,000
P López Jiménez					
2019 Financial Year	231,000	-	-	-	231,000
2018 Financial Year	231,000	-	-	-	231,000
D Robinson[2]					
2019 Financial Year	210,000	95,890[3]	-	29,060[4]	334,950
2018 Financial Year	210,000	95,890[3]	-	29,060[4]	334,950
P Sassenfeld[5]					
2019 Financial Year	220,000	-	-	-	220,000
2018 Financial Year	220,000	-	-	-	220,000
K Spargo					
2019 Financial Year	230,000	-	-	20,767	250,767
2018 Financial Year	230,000	-	-	20,290	250,290
Former Non-executive Director					
T Gerber[6]					
2019 Financial Year	282,000	-	-	20,767	302,767
2018 Financial Year	282,000	-	-	20,290	302,290

1. These amounts represent additional service fees payable to Non-executive Directors for service on a Board Sub-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 2019 and $9,110 in 2018 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. Mr Gerber resigned as a Non-executive Director effective 31 December 2019.

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 2019 Financial Year.

Name	Balance at 31 Dec 2018	Purchases	Received on exercise of options/rights	Sales	Closing Balance[1]
Directors					
M Fernández Verdes	2,745[2]	-	-	-	2,745[2]
M Wright	-	10,000	-	-	10,000
R Chenu	4,085	-	-	-	4,085
J del Valle Pérez	1,000[2]	-	-	-	1,000[2]
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	3,000	1,000	-	-	4,000
Former Director					
T Gerber	2,000	-	-	-	2,000
Alternate Directors					
R Seidler AM	2,941	-	-	-	2,941
A Valderas	2,500	-	-	-	2,500
Á Muriel	14,991	-	-	-	14,991
Senior Executives					
I Segura Suriñach	-	-	-	-	-
S Camphausen	-	-	-	-	-

1. The closing balance is at 31 December 2019.
2. These shares are held by the relevant director on trust for HOCHTIEF Australia.

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.

No options under the LTI were awarded for the 2019 Financial 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 2018 (number)	Vested (number)	Vested (value) (A$)	Exercised (number)	Exercised[1] (value) (A$)	Lapsed (number)	Lapsed (value) (A$)	Balance at 31 Dec 2019 (number)
Senior Executives									
M Wright	2015	23,537	-	-	-	-	-	-	23,537
S Camphausen	2015	1,642	-	-	-	-	-	-	1,642
Former Senior Executives, now Alternate Directors									
A Valderas	2015	20,924	-	-	-	-	-	-	20,924
Á Muriel	2015	36,377	-	-	24,250	528,456	-	-	12,127

1. The exercised value is equivalent to the cash amount received upon the exercise of options.

SHARES PURCHASED ON MARKET

No shares were purchased on market in the 2019 Financial Year for the purpose of satisfying vested awards under the EIP.

The CIMIC Group Limited Directors' Report for the 2019 Financial Year is signed at Sydney on 4 February 2020 in accordance with a resolution of the Directors.

Marcelino Fernández Verdes
Executive Chairman

Black Point Power Station

Leighton Asia, Hong Kong

Located in the New Territories region of Hong Kong, Black Point Power Station is one of the world's largest gas-fired combined cycle power stations.

Leighton Asia has been involved in the ongoing development of the station since it began operations in 1996.

Leighton Asia's civil works for the station's Combined Cycle Gas Turbine project have included delivery of a new cooling water intake and discharge facility and the construction of a turbine hall that will be used to house the power generation equipment and associated facilities.

Throughout the project, Leighton Asia has leveraged its expertise in delivering complex energy and resources infrastructure, and focused on helping the station achieve targeted operational and sustainability outcomes.

Sustainability Report

Sustainability Report

MEASURING PERFORMANCE AGAINST OUR SUSTAINABILITY COMMITMENTS AND TARGETS

COMMITMENT Target	FY19 result	Performance Commentary	Target Date
SAFETY			
Zero work-related fatalities	●	▪ No fatalities recorded	Annual
Reduce Class 1[1] injuries	○	▪ Four Class 1 injuries versus one in 2018	Annual
Reduce potential Class 1 injuries	●	▪ Reduced from 97 to 63	Annual
Reduce TRIFR[2]	●	▪ Decreased from 2.82 to 2.30	Annual
Safety management systems in place	●	▪ All Operating Companies certified to ISO 45001, ISO 18001 and/or AS/NZ 4801	Annual
INTEGRITY			
No material breaches of Code of Conduct	●	▪ No material breaches recorded	Annual
Maintain Group-wide Code training	●	▪ 25,419 direct employees (88%) completed Code of Conduct training in 2019, required every 2 years ▪ 2,250 employees in 'high risk roles' (80%) attended face-to-face Code training in 2019, required every 2 years	Ongoing
CULTURE			
Roll out 'One' leadership program	●	▪ 1,639 participants attended Frontline development program ▪ 214 participants attended Leading Managers Program	Ongoing
Train and develop future leaders	●	▪ Graduate Program cohort intake increased to 225 (v 208 in 2018)	Ongoing
Promote gender equity	●	▪ Graduate Program features an above-industry female participation rate of 37% for the 2019 cohort	Ongoing
Promote diversity	●	▪ 10,254 employees undertook face-to-face Equal Employment Opportunity (EEO), Discrimination, Anti-Bullying and Harassment training, increased completion rate to 83% (v 40% in 2018) ▪ 1,014 staff completed unconscious bias training in Australia, eligible staff participation of 84% (v 55% in 2018)	Ongoing
Foster female participation	●	▪ Female share of total Group workforce up to 12.2% (v 10.3% in 2018)	Ongoing
INNOVATION			
Delivering sustainable returns	●	▪ Economic value retained of $1,113m in 2019	Ongoing
Increase IS[3] rated projects	●	▪ 28 cumulative certifications (v 22 in FY18) ▪ Delivered $3.0bn of 'Cleantech'[4] or 'green-rated' projects	Ongoing
Further develop knowledge capture	●	▪ Interactive Project Knowledge Library (iPKL) increased to include more than 3,000 projects	Ongoing
Utilise technology in the delivery of projects	●	▪ Continued to increase use of BIM and GIS[5] ▪ CPB Contractors, Leighton Asia, UGL, Sedgman, Pacific Partnerships and EIC Activities covered by BSI Kitemark certification	Ongoing
ENVIRONMENT			
No Level 1 or 2 environmental incidents	◎	▪ Zero Level 1 incidents reported ▪ 29 Level 2 incidents reported	Annual
Reduce EIFR[6]	○	▪ 0.20 (v 0.09 in FY18)	Annual
No legal breaches, fines or penalties	○	▪ 18 legal breaches resulting in fines	Annual
Environmental management systems in place	●	▪ 100% of Operating Company management systems certified to ISO 14001	Ongoing

● Achieved ◎ Partly achieved ○ Not achieved

[1] A Class 1 incident is a death or permanent disability including: fatality; quadriplegia; paraplegia; amputation; or permanent loss of vision.
[2] Total Recordable Injury Frequency Rate.
[3] 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
[4] Revenue earned by CPB Contractors from construction of sustainably rated or 'green' projects.
[5] Building Information Modelling (BIM) and Geographic Information System (GIS).
[6] Environmental Incident Frequency Rate.

ABOUT THIS SUSTAINABILITY REPORT

Sustainability is embedded in the Group's mission which is to maximise long-term value for shareholders by sustainably delivering projects for our clients while providing safe, rewarding and fulfilling careers for our people.

This Sustainability Report section of the Annual Report is structured around five sustainability themes:

- safety - supporting safe communities, providing safe, supportive and positive workplaces for our people;
- integrity - acting with integrity, operating honestly and respectfully, and seeking sustainable supply chain outcomes;
- culture - promoting a culture that builds capability and supports opportunities for sustainability, diversity and inclusion;
- innovation - targeting innovation through knowledge sharing and collaboration, seeking competitive advantage with a focus on the future; and
- environment - promoting environmentally responsible outcomes by using resources efficiently, minimising waste and building resilience to climate risks.

These themes provide the framework for addressing CIMIC's sustainability commitments and performance.

Our approach is derived from, and based on, our Principles of Integrity, Accountability, Innovation and Delivery, underpinned by Safety. The Principles provide a common unifying bond and set the framework for the behaviours of our people.

CIMIC's sustainability objectives are to:

- set targets and report on the Group's performance to promote confidence with investors, clients and other stakeholders;
- develop a culture of collaboration and knowledge sharing enabling opportunities for sustainability and innovation;
- be recognised as a leader in sustainability and contractor of choice by clients, employees and industry;
- seek environmentally and socially responsible supply chain solutions;
- deliver safe and resilient communities and workplaces; and
- leave a positive legacy.

These objectives help to deliver value by growing revenue, reducing costs, mitigating risk and building our reputation.

STRUCTURE OF THE SUSTAINABILITY REPORT

REPORTING APPROACH

CIMIC Group is committed to operating sustainably and reporting on our ESG performance and progress. This Sustainability Report, integrated into our Annual Report, demonstrates how deeply embedded sustainability is in our business. The Report utilises a number of case studies which are highlighted as breakout boxes in the text. These case studies provide current examples of sustainability practices, demonstrating the diversity of the Group's activities, and reinforcing that acting sustainably creates value.

For the 2019 Financial Year, we have utilised the Global Reporting Initiative (GRI) Sustainability Reporting Standards framework for the preparation of the Report. By doing so we aim to generate reliable, relevant and standardised information with which our stakeholders can assess our performance against these measures, as well as against our opportunities and risks. The GRI index can be found on pages 131 - 135.

REPORT BOUNDARY AND SCOPE

The Report is for the 2019 Financial Year, unless otherwise noted. The scope of the Report covers CIMIC Group and its Operating Companies which include:

- CPB Contractors;
- Leighton Asia, including Leighton India and Leighton Offshore;
- Thiess;
- Sedgman;
- UGL;
- Pacific Partnerships;
- EIC Activities; and
- Leighton Properties.

The scope of the Report does not include the operations of CIMIC Group's investments where CIMIC Group does not have 100% ownership.

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. The 17 'Global Goals' with their 169 identified targets[7] were initially reviewed in 2017, based on CIMIC's exposure to, or ability to directly or indirectly influence, these goals and targets. This review and the results were published in the Sustainability Reports in the 2017 and 2018 Annual Reports.

In 2019, CIMIC again reviewed each of its construction, mining and mineral processing, and operations and maintenance (O&M) services contracts to determine their alignment with the SDGs. The analysis shows that around 85% of the Group's revenue is earned from contracts that are directly aligned with one (or more) of the SDGs. The relevant SDGs, and the type of CIMIC projects that align with them, are set out in the table below.

	Sustainable Development Goal
	3) Ensure healthy lives and promote well-being for all at all ages ▪ Construction and O&M of hospitals and health facilities.
	4) Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all ▪ Construction and O&M of universities, schools and educational facilities.
	6) Ensure availability and sustainable management of water and sanitation for all ▪ Construction and O&M of water facilities, waste treatment plants, recycling facilities, dams and water utilities.
	7) Ensure access to affordable, reliable, sustainable and modern energy for all ▪ Construction and O&M of renewable energy plants including solar and wind. ▪ Construction of electricity transmissions lines. ▪ Construction and O&M of gas related infrastructure.
	9) Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation ▪ Construction and O&M of 'green rated'[8] infrastructure and buildings. ▪ Construction and O&M of telecommunications infrastructure. ▪ Construction of technology promoting facilities such as research centres. ▪ Mining, construction and O&M of minerals processing facilities for iron ore, nickel, copper and other metals.
	11) Make cities and human settlements inclusive, safe, resilient and sustainable ▪ Construction and O&M of safe, affordable, accessible and sustainable transport systems, notably by expanding public transport infrastructure such as busways, and passenger and light rail projects. ▪ Construction and O&M of public buildings such as cultural facilities or public housing.
	13) Take urgent action to combat climate change and its impacts ▪ Construction and O&M of projects specifically addressing climate change, i.e. sea walls.
	16) Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels ▪ Construction and O&M of projects that promote the rule of law such as defence facilities, courts and correctional facilities.

While some of the Group's projects may not directly align with the SDGs, this does not mean that CIMIC should not deliver this work for our clients. For example, CIMIC would prefer to construct 'green rated' infrastructure or buildings but, if a client has not mandated or is able to contribute towards the achievement of a 'green rated' asset, CIMIC has to make a commercial decision whether to tender for that work.

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

[7] 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'.

[8] Includes projects with a nationally or internationally recognised sustainability rating such as Green Star, LEED, ISCA and Greenroads.

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 (DJSI) 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 the Report as a framework for discussion of those issues that the Group believes are material and of most interest to stakeholders. The material issues, the relevant GRI Standard they refer to and section of the Annual Report or chapter of the 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[9]
▪ Changes in economic factors (regulation, government policy, new technology and availability of capital) 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, pg 115; Safety, pg 75 - 76
▪ 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	OFR; Environment, pg 127
▪ Growth in demand for renewable energy and the impact on construction opportunities	General Disclosures	Environment, pg 127
▪ 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, pg 120, pg 127
▪ Ensuring legal compliance with all environmental regulations and avoiding reputational liabilities	Environmental Compliance, Effluents and Waste	Environment, pgs 119 - 120
▪ Improving energy efficiency on projects, in the supply chain and in corporate activities	Energy	Environment, pgs 120 - 123
▪ Minimising the use of materials (e.g. concrete, steel, packaging) and working with the supply chain to reduce environmental impacts	Materials	Environment, pgs 125 - 126
▪ Protecting biodiversity and ecosystem health (including erosion and sediment management) when delivering projects	Biodiversity	Environment, pgs 126 - 127
▪ Reducing the production of hazardous and non-hazardous waste	Effluents and Waste	Environment, pg 123
▪ Reducing the consumption and wastage of water	Water, Effluents and Waste	Environment, pgs 124 - 125
Governance		
▪ Aligning remuneration with performance to encourage and reward the creation of shareholder value	General Disclosures, Employment	Culture, pg 103
▪ Balancing transparency in disclosing information for investors while not giving away commercial advantage	Public Policy, Marketing and Labelling, Customer Privacy	Integrity, pg 81
▪ Collaborating with industry not-for-profits to generate shared value	General Disclosures	Innovation, pg 114
▪ Encouraging free, fair and open competition, and complying with all applicable competition laws	Anti-competitive Behaviour	Integrity, pg 82

[9] OFR - Operating and Financial Review section of this Annual Report

Material issues (by ESG factors)	Applicable GRI Standard	Section/Page number
Governance (cont.)		
▪ Ensuring compliance in overseas markets when operating across different cultures and languages	Anti-corruption, Anti-competitive Behaviour, Socioeconomic Compliance	Integrity, pgs 78 - 79, pg 82
▪ Ensuring environmentally and socially responsible sourcing and governance factors are integrated into procurement processes	Supplier Environmental Assessment, Supplier Social Assessment	Integrity, pgs 82 - 84
▪ 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	OFR; Innovation, pg 115
▪ Maintain the integrity of the Company's tax payment and disclosure regime	Economic Performance	OFR; Integrity, pgs 81 - 82
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	Culture, pgs 89 - 92
▪ Attracting, developing and retaining employees to meet the evolving needs of the business	Employment, Labour/ Management Relations, Training and Education	Culture, pgs 89 - 103
▪ Availability of a skilled and trained workforce that can deliver projects and manage the business	Employment, Training and Education	Culture, pg 88-89; Innovation, pg 112
▪ Avoidance of all forms of bribery and corruption including facilitation payments	Anti-corruption, Public Policy	Integrity, pgs 78 - 82
▪ Avoidance of all forms of child or forced labour in the supply chain	Child labour, Forced or compulsory labour, Human Rights Assessment	Culture, pg 90
▪ Changes in social factors (government policy, industrial relations, new technology) 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, pg 85
▪ Creating safer and healthier workplaces for the well-being of employees and all those in the Group's care	Occupational Health and Safety	Safety, pgs 68 - 76
▪ Encouraging a culture of innovation where people are continually looking for new and better ways of doing things	Training and Education	Innovation, pg 105; Culture, pgs 92 - 103
▪ Ensuring the safety of the public while delivering projects	Customer Health and Safety	Safety, pgs 75 - 76
▪ Fostering a more diverse workforce that reflects the communities in which the Group operates	Employment, Diversity and Equal Opportunity	Culture, pgs 97 - 103
▪ 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, pgs 84 - 87
▪ Promoting gender equity in remuneration and promotion decisions	Employment, Diversity and Equal Opportunity	Culture, pgs 98 - 100
▪ Respecting the rights of local communities when delivering projects for clients	Rights of Indigenous Peoples, Local Communities	Integrity, pgs 84 - 87
▪ Supporting corporate community investment (i.e. sponsorship, donations and corporate partnerships) in local communities and society	Indirect Economic Impacts	Integrity, pg 85-87

AVAILABILITY OF INFORMATION

CIMIC acquired Sedgman in 2016 and completed the acquisition of UGL in early 2017. Information for Sedgman has been aggregated from 2016 and for UGL from 2017.

SUMMARY OF GROUP PERFORMANCE

CREATING SHAREHOLDER VALUE		2019	2018	2017	2016	2015
Human Capital Return on Investment[10]	#	1.31	1.31	1.30	1.33	1.28
Revenue per employee	$k	415.6	381.8	355.5	380.1	475.0
Labour (revenue) productivity	$m/MhW	100.5	92.2	85.1	88.6	101.3
Profit per employee[11]	$k/emp'e	22.6	20.3	18.6	16.4	18.5
SAFETY						
Total fatalities	#	0	1	0	3	1
Of which: Australia	#	0	1	0	1	1
International	#	0	0	0	2	0
Total Class 1 Actual events	#	4	1	2	3	2
Of which: Australia	#	1	1	1	1	1
International	#	3	0	1	2	1
Total Recordable Injury (TRI) Frequency Rate	TRIs/MhW	2.30	2.82	2.64	2.74	3.33
Lost Time Injury (LTI) Frequency Rate	LTI/MhW	0.95	1.27	1.07	1.00	0.92
Potential Class 1 incidents	#	63	97	103	138	192
Million hours worked	MhW	147.8	159.1	157.8	122.4	131.0
INTEGRITY		**2019**	**2018**	**2017**	**2016**	**2015**
Employees undertaking formal, on-line Code training	#	25,419	23,837	18,870	9,624	4,334
Continuous Disclosure breaches	#	0	0	0	0	0
Significant breaches of Code	#	0	0	0	0	0
CULTURE		**2019**	**2018**	**2017**	**2016**	**2015**
Total direct employees[12]	#	35,373	38,423	37,779	35,394	28,078
Total employees[13]	#	40,234	46,959	51,001	50,874	-
Personnel costs	$m	3,710	3,634	3,530	2,432	3,059
Payroll ratio[14]	$k/emp'e	104.9	94.6	93.4	85.2	109.5
Average tenure of employment	years	3.9	3.4	3.4	3.1	3.0
Number of new hires	#	16,245	19,685	23,511	12,564	-
Of which: Male	#	14,676	18,108	22,324	11,816	-
Female	#	1,569	1,577	1,187	748	-
Total turnover rate[15]	%	48.9	51.3	56.0	46.0	42.7
Of which: Male staff (voluntary)	%	11.9	13.1	11.8	9.7	-
Female staff (voluntary)	%	3.8	4.2	4.0	3.4	-
Of which: Male staff (involuntary)	%	7.6	4.5	7.6	12.6	-
Female staff (involuntary)	%	1.4	1.2	2.0	3.0	-
Females on the Board	# / %	1 / 12.5	1 / 12.5	1 / 12.5	0[16] / 0	1 / 12.5
Females in the workforce	%	12.2	10.3	9.3	9.3	9.4
Females in senior management	%	13.9	12.2	10.5	9.1	14.3
Local participation in International workforce	%	94.1	94.2	93.9	97.7	96.8

[10] Total Revenue less Total Operating Expenses less Total Employee Related Costs (TERC) divided by TERC. As reported to DJSI.
[11] Net profit after tax (NPAT) divided by Total direct employees. For 2019, the ratio reflects UNPAT.
[12] The 2016 direct employee numbers include all those of UGL. UGL was consolidated from 24 Nov 2016 and other financial metrics were only consolidated from that date as CIMIC did not have operational control until that date.
[13] Total employees includes both direct employees of CIMIC Group and a proportion of the headcount of indirect employees from investments as follows: BICC (45%), Devine (59%) and Ventia (47%) as at 31 December 2019.
[14] Total personnel costs divided by the total number of direct employees.
[15] 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.
[16] This figure is measured at year end, CIMIC had one female for most of the 2016 year.

INNOVATION		2019	2018	2017	2016	2015
Cumulative green buildings completed	#	80	76	65	63	57
Cumulative ISCA[17] certified and rated projects	#	28	22	19	16	12
Green Standard project registrations	#	12	5	5	7	14
Green Standard project certifications	#	11	8	7	19	14
Cleantech or 'green-rated' revenue	$m	3,020	4,932	2,703	2,083	1,922
Green Standard employee certifications	#	81	76	54	57	41

ENVIRONMENT		2019	2018	2017	2016	2015
Total Level 1 incidents	#	1	0	0	0	0
Total Level 2 incidents	#	29	14	10	6	4
Of which: Australia	#	7	12	8	5	2
International	#	22	2	2	1	2
Total Level 3 incidents	#	447	693	497	520	820
Of which: Australia	#	347	567	462	493	782
International	#	100	126	35	27	38
Total Breaches	#	32	21	15	10	4
Of which: Australia	#	7	13	9	9	2
International	#	25	8	6	1	2
Violations with fines >$10k	#	1	1	2	0	0
Value of fines related to above	$k	295	15	30	0	0
EIFR[18]	# / MhW	0.20	0.09	0.06	0.05	0.03
Energy consumption - Diesel	GWH	10,410	10,627	8,569	7,722	7,477
Energy consumption - Electricity	GWH	141	153	145	94	109
Energy consumption - Other	GWH	96	65	75	13	75
Total energy consumption	GWH	10,647	10,846	8,790	7,820	7,661
Energy intensity[19]	GWH / $m	0.72	0.74	0.65	0.72	0.58
Water: Withdrawals	ML	17,188	8,121	7,414	7,239	6,837
Discharges	ML	11,567	9,022	476	1,668	3,957
Water consumption	ML	5,621	(901)	6,938	5,571	2,880
Water reuse	ML	4,313	9,200	4,052	5,425	5,098
Recycled/reuse[20]	%	20.1	53.1	35.3	42.8	42.7
Water intensity[21]	ML / $m	0.38	-0.06	0.52	0.51	0.22
GHG emissions - Scope 1[22]	kt. CO2-e	2,634	2,689	2,202	1,964	1,913
GHG emissions - Scope 2	kt. CO2-e	122	125	128	89	93
GHG emissions - Scope 3[23]	kt. CO2-e	1,143	1,000	1,653	2,666	3,497
Carbon intensity[24]	kt. CO2-e / $m	0.19	0.19	0.17	0.19	0.15
Total material volumes	kT	6,753	4,295	3,990	4,845	3,977

[17] Infrastructure Sustainability Council of Australia.
[18] Environmental Incident Frequency Rate (EIFR) is total number of Level 1 and Level 2 environmental incidents per million hours worked.
[19] Energy intensity is 'Total energy consumption' divided by 'Total revenue' (excluding revenue from joint ventures and associates).
[20] Recycled/reused % equals total water recycled and reused divided by total water recycled and reused plus total water withdrawals.
[21] Water intensity is 'Total water consumption divided by 'Total revenue' (excluding revenue from joint ventures and associates).
[22] 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 'Total revenue' (excluding revenue from joint ventures and associates).

SAFETY

OUR APPROACH

At CIMIC, we put health and safety first. Looking out for each other is an essential part of our culture. It underpins everything we do and reflects our determination to keep our people, and those under our care, safe. Our priorities are minimising harm in workplaces, promoting physical and mental wellbeing, and protecting the public. Our commitment extends to our subcontractors, our suppliers and any other person who is impacted by the work we deliver.

Minimising harm in workplaces	
Measures in place	▪ 100% of Operating Company management systems certified to ISO45001, ISO 18001 and/or AS/NZS 4801 ▪ Critical Risk programs, such as Safety Essentials and Class 1 Practices in place across CPB Contractors, Leighton Asia, Thiess, Sedgman and UGL, providing the systems, procedures and knowledge to manage our activities ▪ Focus on 'above-the-line' controls used to eliminate, substitute, isolate or engineer out risk ▪ Thiess, Sedgman and Leighton Asia focus on delivering our management systems and communications in multiple languages or by using simple illustration and diagrams to tackle the potential literacy issues ▪ Quarterly Managing Director Health & Safety Reviews in which Managing Directors individually report performance in face-to-face meetings to the CIMIC CEO ▪ 556 safety experts employed across the Group
Actions taken during 2019	▪ All Operating Companies maintained management system certification ▪ 291 internal safety audits conducted and 42 external audits – all to ISO18001 and/or AS/NZ4801 standards ▪ Almost 18,900 hours spent on training in occupational health and safety ▪ Requirement for the use of dynamic load moment indicators on all articulated mobile cranes; if this cannot be achieved, the affected crane is de-rated by 50% of its lifting capacity
Performance	▪ Achieved reduction in TRIFR from 2.82 to 2.30
Promote physical and mental health	
Measures in place	▪ Employee Assistance Program is in place for all Australian based operations, and globally for Thiess ▪ All Operating Companies have developed formal strategies or are implementing plans to support positive mental health outcomes and address psycho-social risk ▪ Thiess and UGL have delivered a variety of mental health education programs targeting Managers and Supervisors, these have been shared with all other Operating Companies ▪ International medical and security program supported by International SOS to provide routine and emergency medical support to international travellers and expatriates ▪ Free health checks, influenza vaccinations and skin cancer checks provided across large parts of the business
Actions taken during 2019	▪ Introduced a Group-wide Occupational Hygiene Standard aimed at achieving consistency in the management of key exposure hazards ▪ Developed a Group-wide International Travel Training E-Learning package providing information and strategies to support health, safety and security of international travelers ▪ Formed a mental health working group to share strategies and work toward a consistent Group-wide approach to mental health initiatives ▪ AIA Vitality program which promotes preventative health strategies and physical fitness launched across the Australian mainland offices and projects with
Performance	▪ 47% of eligible employees have activated their AIA Vitality accounts
Protect the public	
Measures in place	▪ Public safety integrated into Safety Essentials and at the design phase of projects
Actions taken during 2019	▪ Numerous, project-by-project initiatives tailored to manage risks as appropriate
Performance	▪ Undertook a range of initiatives to protect the public appropriate to each project

MINIMISING HARM IN WORKPLACES

CIMIC's priority is the elimination of fatalities and permanent disabilities, and the reduction of all other injuries. We seek to create workplaces with a culture that focuses on safety and productivity, while also enhancing the wellbeing of our teams. We are committed to treating everyone - subcontractors, clients, suppliers, representatives of our business partners or visitors - with the same degree of care as our employees, irrespective of their role.

Strong risk management systems underpin our commitment to safe workplaces. 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 where practicable through 'hard' controls[25].

[25] Controls used to eliminate, substitute, isolate or engineer out the risk from causing harm.

Safety award for innovative approach to crane safety

In New Zealand, the innovative safety approach of CPB Contractors' team on the Transmission Gully project was recognised at the 2019 New Zealand Workplace Health and Safety Awards. The team was awarded the '3M best use of New Zealand design technology' award for an in-crane GPS warning system that keeps crane operators safe during lifts under high voltage power lines.

To ensure the safety of workers and the public, 3D models were created of the four metre safety envelope (safe operating distance) around overhead transmission lines where CPB Contractors was using cranes to erect bridges on the route. Two crawler cranes were equipped with dual mast GPS receivers and the software that uses real-time kinematic (RTK) GPS to map the position of the crane's main boom, fixed jib and main body to within 30mm accuracy. Onboard, a touch screen shows the driver a 3D view of the crane boom's proximity to the closest conductor and the closest section of the safety envelope, ensuring safe operation near the live lines. It is believed that this is a world first use of this system in this type of application.

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 ISO45001, ISO 18001 and/or AS/NZS 4801.

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. We also monitor the potential for any occupational illnesses that the Group's activities may cause and seek to mitigate any impacts.

Fatalities and Permanent Disabilities

No fatalities were recorded by the Group in 2019. While we are pleased with this outcome, disappointingly there were four injuries that resulted in disabilities. The details of these Class 1 events were:

- while conducting maintenance on a tunnel boring machine cutterhead on the Sydney Metro Stage 2 project in New South Wales, a cutter disc fell and struck a worker's foot. As a result of the injury two toes were amputated;
- while conducting continuity testing on the Liantang Project in Hong Kong, an arc flash occurred resulting in significant burns to a worker's face, arms, hands and upper thighs;
- a banksperson on the Liantang Project was struck by the mobile elevated work platform she was directing and received crush injuries to her upper arm resulting in nerve damage and impaired hand movement; and
- while discharging a load at the Melak Coal Mine in Indonesia, the dump slumped causing a truck to sink, raising its front wheels off the ground. The operator jumped, landing awkwardly, resulting in fractured vertebrae and nerve damage.

The CIMIC Group remains focussed on the identification of critical risks and the effective implementation of critical risk management strategies to avoid serious incidents. This includes the use of training, education, audits, workplace inspections and the ongoing in-field verification of critical controls.

The safety of our people remains our number one priority. So it is with great sadness that we report a fatality in our operations in early 2020. Our thoughts and profound sympathies are with our colleague's family and partner, his friends and teammates, and we are providing assistance to all of those who were affected.

Injury measurement

The Group's preferred lag measure for reporting is Recordable Injuries (RIs)[26] and we calculate the Total Recordable Injury Frequency Rate (TRIFR)[27], which reflects the average number of recordable injuries per million hours worked (MhW). RIs capture a higher level and a wider range of injuries, including medically treated injuries (MTIs), restricted work injuries (RWIs), lost time injuries (LTIs)[28], permanent disabilities (PDs) and fatalities which impact our workers. The Group is committed to applying the same safety standards to everyone who works on one of our projects and accordingly, all our lag indicators, including TRIFR and LTIFR, reflect both direct employee and contractor performance.

The Group recorded a TRIFR in 2019 of 2.30, which represents an 18% decrease from the 2018 result of 2.82.

	2019	2018	2017	2016
Group TRIFR (TRIs/MhW)	2.30	2.82	2.64	2.74

The Group also tracks the number of LTIs, a widely-recognised safety metric, and the Lost Time Injury Frequency Rate (LTIFR)[29]. LTIFR is a commonly used lag indicator of both injury prevention and management performance. Like TRIFR it is often benchmarked across industries. In 2019, the Group's LTIFR decreased from 1.27 to 0.95.

[26] 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.

[27] For the purposes of this report, TRIFR is calculated on a base of 1,000,000 hours worked (MhW). 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.

[28] An occurrence that results in a fatality, permanent disability or time lost from work of one day/shift or more.

[29] Accidents (defined as LTIs on the current page) per MhW.

	2019	2018	2017	2016
Group[30] LTIFR (accidents/MhW)	0.95	1.27	1.07	1.00
Employee LTIFR (accidents/MhW)	0.42	0.53	0.74	0.47
Contractor LTIFR (accidents/MhW)	1.84	2.46	1.72	2.04

The Group also tracks numerous other safety metrics - for both employees and contractors - which are used to drive improvements in the management of safety. These measures include the total number of:

- fatalities and permanent disabilities;
- days lost to LTIs and the LTI severity rate;
- RWIs, the number of days lost to RWIs, the RWI frequency rate and the RWI severity rate;
- MTIs and the MTI frequency rate; and
- First Aid Injuries (FAIs) and the All Injury Frequency Rate (AIFR).

Compliance

During 2019, there were no material incidents of non-compliance with regulations and/or voluntary codes.

During 2019, CPB Contractors incurred 2 fines totalling A$7,200 for non-compliance to a scaffolding Safe Work Method Statement at the Mackay Ring Road project, Queensland and for non-compliance regarding maintaining a Hazardous Chemical Register at the New Parallel Runway project at the Brisbane Airport, Queensland. Leighton Asia incurred 2 fines totalling A$7,671 for two instances of failing to maintain a safe work environment.

Lead indicators

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

Tracking the timeliness of investigations and the sharing of learnings from Potential Class 1 (PC1) events is a key lead indicator measured by the Group. A PC1 is an incident that may have, but did not, result in a fatality or a permanent disabling injury. This lead indicator drives accountability of Executive Management Teams[31] - in each of the Operating Companies - for the efficient and effective investigation of all PC1 events. In addition, it ensures that learnings from these investigations are quickly and efficiently communicated across the Group, reducing the potential for recurrence.

Performance against this lead indicator is monitored and managed in the Quarterly MD Health and Safety Reviews, which are chaired by CIMIC's CEO.

Of note, the total number of PC1 injuries decreased by 34 in 2019 to 63.

	2019	2018	2017	2016
Group PC1 (#)	63	97	103	138

The Group's Operating Companies utilise a range of other lead indicators which include:

- The number of Project Systems Audits - planned versus actual;
- The number of Critical Risk Reviews - planned versus actual;
- In field critical control verifications - planned versus actual;
- The number of Incident Actions - closed on time versus overdue; and
- The number of Leadership Reviews/Walks - planned versus actual.

The Group Health and Safety team is currently reviewing all lead indicators with a focus on measuring the quality of outcomes from audits, inspections, critical risk reviews and the like, rather than measuring counts of planned versus actual.

Safety in construction

Each of CIMIC's Operating Company has safety management systems that, while similar in their structure, are tailored to meet the unique risks and hazards they deal with. The most commonly reported critical risks giving rise to safety incidents in the Group's construction businesses are currently: working at heights; crane and lifting operations; stored energy; working in and around mobile plant; working near live services; and working near live traffic.

Lifting safety on cranes

Working together to make mobile articulated pick and carry cranes safer, our Operating Companies have formed a collaborative working group with crane manufacturers and industry peers to improve crane stability during operations. The team has identified new technology that can be retrofitted to a crane's computer system to dynamically alert operators and limit functions when movement with a load affects the crane's centre of gravity and overall stability. All cranes coming onto CIMIC Group sites are now required to be fitted with the new technology.

[30] Includes employees and contractors.
[31] Generally defined as direct reports to an Operating Company Managing Director.

For CPB Contractors, the Group's construction company in Australia, New Zealand and Papua New Guinea, critical risks are managed through the Safety Essentials, a collection of minimum requirements focused on providing projects with the standards, procedures and knowledge to manage activities that pose the greatest risk to our people. The Group's Leighton Asia business has developed a similar set of minimum requirements, the Class One Practices (COPs). Details of the activities covered by the Safety Essentials and the COPs were set out in the 2017 Sustainability Report.

How to work from heights when underground

CPB Contractors is delivering a water infrastructure project, relining Victoria's Maribyrnong River sewer along an 8km alignment, rehabilitating 52 manholes and decommissioning another 13. Before major works can begin, CPB Contractors must modify the manholes to improve access, which requires people to be lowered into enclosed spaces with depths of up to 43 metres. The work requires the application of controls more likely to be seen when working at heights, despite working underground.

While only one safety line is mandated by legislation, the significant and varying depths prompted the team to consider alternative approaches. The team has adopted additional precautions for work in manholes deeper than 10 metres using a twin rope system. They work on one main line and have a secondary, back-up line attached to their harness and the winch. In the event of an emergency, the back-up line can operate as a fall arrest system – providing a safe system of work, and greater security and reassurance for the team. This extra step has been embraced by the team and had a positive result on its safety culture.

With operations in countries as diverse as India, Hong Kong, Philippines, Singapore, Indonesia and Malaysia, Leighton Asia communicates its safety standards and process controls in different languages, including English, Chinese (Cantonese & Mandarin), Hindi, Tamil, Bahasa and Tagalog. The company also addresses the challenge of relatively low literacy rates in some of these regions by simplifying 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 they now use simple illustrations, diagrams and more simplified wording.

Operating safely in remote Indonesia

Starting with a contract for less than US$1 million in 2006, Leighton Asia's Freeport team in Indonesia is now delivering their 51st project for one of our long-term clients; PT Freeport Indonesia. The team has been constructing critical facilities to support the client's exploration and mining activities in the remote highlands of the Sudirman Mountain Range in Indonesia, which is located at an altitude of approximately 3,000m. Completed and ongoing projects range from a 12,000sqm five-storey accommodation building, replacement of platforms at a processing plant, to the construction of a bus station and medical clinic.

Works for PT Freeport are delivered in an exposed cold and wet environment with season-long precipitation. Leighton Asia has been working closely with its client to ensure a safe workplace which delivers to the timeframes promised. The team's track record on safety performance is reflected in their achievement of 4.8 million safe work hours without a lost-time incident between March 2014 and November 2019. On top of their repeated success in project delivery and unwavering focus on safety, the team fosters a positive working culture through regular team building activities, supported by the client.

Leighton Asia operates its 'Strive for L.I.F.E.' training centres to support their mandatory safety training curriculum. The objective is to provide staff and workers with a world-class program of training that is interactive and dynamic, whilst also being informative. Since opening in 2010, it is estimated that in excess of 500,000 training courses have been completed through the Strive for L.I.F.E. training centres.

Safety in mining and mineral processing

The critical risks most frequently reported in the Group's mining and mineral processing businesses are currently: mine traffic; working at heights; isolation of energy sources; geotechnical; lifting operations; explosives; and working with tyres.

Thiess has its own non-negotiable, mandatory Safety Essentials which describe clear minimum requirements, and provide critical controls and core procedures, for high-risk activities in mining. These Safety Essentials are produced in English, Spanish, Bahasa and Mongolian, reflecting Thiess' areas of operation.

Innovative hydraulic arm banishes heavy lifting at Mt Owen

The maintenance team at Thiess' Mt Owen operations in New South Wales has collaborated with local company Nivek Industries to develop the ingenious new Lift Assist 40 (LA40) tool manipulator arm, to provide a more efficient and safer way to carry out daily duties on the project's fleet. The LA40 design aims to take the weight out of a wide range of tools including rattle guns, impact drivers, pneumatic torque guns, air sanders and more, removing the strain from the operator. The LA40 enables operators to more safely perform maintenance duties in the workshop with substantial efficiency gains. The arm can handle a safe working load of up to 40kg and is designed to reduce fatigue and improve productivity on every shift. The goal of the LA40 is to always keep fitters' hands safe and to ensure fingers and hands avoid crush zones – especially when loosening and tightening nuts and bolts.

The innovation embedded in the hydraulic arm has also generated improvements to productivity. The 360-degree movement of the arm allows fitters to undertake two tasks at once. The LA40 has turned cleaning dozers into a one-person job rather than two, which creates efficiencies. The collaboration with Nivek Industries is a good example of how Thiess is working with suppliers to bring innovative ideas to life, giving back to the industry and creating value for clients.

Sedgman implemented Safety Essentials in 2019 to manage their critical risks. The Safety Essentials are mandatory and are applied at all Sedgman sites. To ensure their effectiveness, Critical Control Verifications and Site Critical Risk Reviews were also introduced.

Design decisions deliver safety
Sedgman designers practice safety in design every day by applying a risk-based methodology to design decision making. On a day-to-day basis, this means having reviews and checks in place, consulting with project stakeholders such as clients, operators and constructors, and ensuring risk is continually assessed throughout the design process.

Sedgman's design team has been developing a filtration building for a copper concentrator project. The risks were evaluated through major reviews which considered factors such as layout and maintenance, and hazard and operability studies to evaluate the operation of the plant. One outcome has been the inclusion of a maintenance platform which reduces maintenance time, improves operator access to the filter components and reduces the crane travel required.

A key feature of Sedgman's safety in design is the 'Hazard in Operations' review, which is part of the delivery of every project. Working with the design teams, project managers can take clients on a walk-through of a 3D model. Being able to get the client's operational team engaged with Sedgman's design team, before the start of construction, aligns expectations around safety. Clients can be assured that designs robustly address their safety requirements, and that Sedgman is effectively addressing the key risks to the operations team.

The Safety Essentials of Thiess and Sedgman, identifying their materials risk activities, were described in the 2017 Sustainability Report.

Safety in services

The critical risks most often occurring in the Group's services business are currently: isolation of energy sources; working at heights; working with electricity sources; excavation and trenching; cranes and lifting operations; operation of mobile plant; and managing traffic.

In 2019, 3 new critical risk training modules were developed and delivered across UGL. These programs are designed to increase awareness and understanding of our critical risks and their critical controls. Over 3,400 individual eLearning modules were completed with a focus on the overall Critical Risk Management Program, Working at Heights and Energy Isolation. This is in addition to face-to-face training sessions held across the business.

The UGL One HSE Leadership Program was also developed in 2019. The program was designed to build the capability of Leaders within our business, to help us reach new levels of health, safety and environmental performance. The program drives a focus on practical skills to build a strong One HSE Culture and an increased understanding of our Critical Risk Management program. During 2019, over 260 leaders participated in the 2 day program.

Flying high to eliminate manual handling risks
UGL's Rope Access team spends their days high above the ground in areas previously perceived as inaccessible. In areas where a sound platform isn't possible or practical, rope access can provide an option. Rope access is a means of entry for much of the work in the offshore oil and gas industry, as well as in a range of projects in construction, civil engineering, the built and natural environment, and more. The UGL team is currently working on a range of energy and resources projects around Australia.

While rope access reduces manual handling risks, it does pose safety risks of its own. To ensure success, the teams participate in thorough training and strict work guidelines to deliver a safe working record year after year. As part of the works on the Chevron Gorgon project, UGL's maintenance crew was tasked with assisting with the installation of rigging and aiding in the installation of piping. To eliminate manual handling of roller plates, weighing approximately 15kg each, the team rigged a tight line system (a flying fox) horizontally along the 50 metre length of the workspace. This allowed the plates to be safely moved and manoeuvred over obstacles to the required location. It eliminated potential risk to personnel but also created time and cost-savings for the client.

In June 2019, UGL became an Operator member of the Industrial Rope Access Trade Association (IRATA). IRATA International is recognised as the world's leading authority on industrial rope access and is dedicated to promoting and maintaining high standards, safety, work quality and working practices for the industrial rope access industry.

Occupational illnesses

CIMIC's commitment to health and safety includes monitoring for, and seeking to mitigate any potential impacts of, occupational illnesses[32] that the Group's activities may cause. The most common types of occupational hygiene risks experienced across the Group include hearing loss, dermatitis or other skin irritations, musculoskeletal disorders - such as long-term back or neck conditions - and dust-related diseases. In certain circumstances, Sedgman employees are required to manage the risk of exposure to heavy metals such as lead.

[32] 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).

CIMIC Operating Companies have comprehensive occupational health programs in place to ensure adequate monitoring, assessment and control of any of the health hazards associated with their respective working environments. In addition, all Operating Companies worked with CIMIC to develop an Occupational Hygiene standard to ensure a high level of consistency is applied across the Group, regardless of where we operate in the world. This standard was implemented in 2019.

Innovative approach to reducing dust
Air quality is an important safety aspect in frontline operating environments. At UGL's rail facility at Bassendean in Western Australia, two mechanical fitters identified dust as a potential safety hazard at their site and took ownership of the issue to design and manufacture an extraction system to mitigate the risk of dust to themselves and their team mates.

The system extracts the very fine dust, which is created by the valve dressing tool during the overhaul of power assemblies, directly from the work station. As the dust is produced it is deposited it into a sealed container for safe disposal later. Notable features of the system include that it is built on a mobile work station, the same height as the work benches, to help each operator achieve more accurate cutting, and it is made entirely from recycled and reused parts which reduced waste and operating costs. The dust extraction system is currently being assessed for use by teams at the other UGL rail workshops and is an excellent example of teamwork, ingenuity and innovation.

Each project and/or workplace is required to maintain a record of all new cases of injury or occupational illnesses that are work related. In 2019, Group Operating Companies reported 79 instances of occupational illnesses which related to issues including musculoskeletal disorders, dermatitis, hearing impairment, mental health, respiratory conditions and allergies. This generated an occupational illness frequency rate (OIFR)[33] of 0.53 for CIMIC Group employees.

	2019	2018	2017
Group Occupational illnesses or injuries (#)[34]	79	48	15
Group OIFR (# / MhW)	0.53	0.30	0.09

Due to the outdoor nature of construction and mining activities, skin cancer is a potential risk for employees. Each of the Group's Operating Companies provides personal protective equipment (PPE) aimed at reducing the risk. Based on the risk profile of the operation, PPE may include long sleeve shirts, broad-brimmed hats, UV-rated safety glasses and sunscreen. CIMIC has also worked with, and supported, the Cancer Council of Australia to promote sun awareness and maintaining a healthy lifestyle and has provided access to free skin checks as part of the AIA Vitality program in Australia.

Curragh leads cancer prevention message
At Thiess' Curragh operation in Central Queensland, the launch of a newly painted 793F haul truck tray marked the beginning of a two month cancer prevention campaign by the team on site. Coloured blue and pink for Prostate and Breast Cancer, the tray aimed to raise awareness of early prevention and encourage regular health checks. More than 100 employees attended the unveiling of the truck tray, hearing important prevention messages from Thiess' Chief Medical Advisor, Doctor Robert McCartney, and local Breast and Prostate Cancer Association nurses.

Education sessions were held across the site throughout May and June which included providing information on prostate, breast, bowel and skin cancer detection. Curragh employees were also provided with access to free skin health checks. The prevention campaign not only seeks to raise awareness, allowing people to take the lead on their health, but also to go home better informed on how to help their family and friends to do the same. The Thiess project team also recognised the ongoing service of the Breast and Prostate Cancer Association to the local community with a campaign-led donation.

Rehabilitation
It is widely recognised that "returning to work after an injury or illness helps an individual recover and reduces the risk of long-term disability."[35] Getting back to work often means an employee has also returned to a normal life, reducing the financial and emotional impact on them and their family.

Each of the Group's Operating Companies provides 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 programs work to assist injured workers to either remain at work, or to return to work safely and as soon as possible, following a workplace injury or illness. Returning to work may mean going back to their old job, undertaking alternate duties, working reduced hours or moving into another role. All of these options will be considered as part of a comprehensive injury management strategy.

[33] Occupational Illness Frequency Rate: the number of occupational illnesses reported per million hours worked.
[34] The requirement to disclose the number of occupational illnesses is leading to greater accuracy in reporting. Some occupational illnesses were likely classified as injuries in 2017.
[35] Comcare, Australian Government, 9 October 2019.

PROMOTE PHYSICAL AND MENTAL HEALTH

CIMIC actively promotes the physical and mental health of its employees. Our 'Fit for work + Fit for life' and employee assistance programs support our people while they're building safe, rewarding and fulfilling careers with us. These programs consider the whole person, promote physical and mental health, drive a proactive approach to wellbeing and care for ourselves and others, and support access to specialist services.

The '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.

An important initiative is the Employee Assistance Program[36] (EAP), a free, voluntary and confidential healthy promotion program available 24/7 to all CIMIC Group employees and their immediate families. It aims to assist with the resolution of personal and work-related issues which may affect an employee's work performance or quality of life. Gryphon Psychology, an external counselling service (or their global affiliate in overseas markets), provides short-term personal counselling. The counsellors from Gryphon Psychology are recognised for their professional qualifications and experience in the provision of employee assistance programs.

The Group's intranet area provides information on a range of physical and mental health topics and how to get support. It includes links to the Group's health related policies, our EAP, health and income protection benefits and information about specialists including Beyond Blue, Lifeline, Mates in Construction and Mates in Mining.

Mental health strategy launched at Sedgman

As Mental Health Week kicked off in Queensland in early October, Sedgman launched its mental health strategy with get-togethers and sharing sessions across offices and sites. The strategy demonstrates a commitment to the protection and promotion of the psychological safety of all Sedgman people.

Underpinned by research, the strategy targets 13 workplace factors that play a role in fostering good mental health. These factors are the focus of planned activities, including health checks, various exercise options and education sessions on sleep and nutrition. Supported by initiatives and actions spanning three years, the strategy outlines key focus areas for embedding mental health awareness. The team behind the strategy are passionate about its value and the role it plays in fostering an environment of support.

In Australia, we provide access to eligible salaried employees to the AIA Vitality health and wellbeing program. This is a science-backed health and wellbeing program that rewards employees for being healthy. AIA Vitality helps employees to understand the current state of their health, provides tools to improve it and offers great incentives to keep them motivated on the journey. These include lifestyle rewards and savings on everyday expenses.

As of 30 September 2019, the AIA Vitality Program[37] had an overall activation rate[38] of 47% (versus 42% at 31 December 2018) and an overall engagement rate[39] of 31% (versus 20% at 31 December 2018). Over the 9 months to 30 September 2019, employees have made savings or earned benefits totalling $533k which recognise the healthy lifestyle choices they are making.

In Australia, we provide all eligible salaried employees with access to discounted Medibank private health insurance and access to salary continuance insurance. In New Zealand, we provide income protection insurance to eligible salaried employees.

Employees in other countries also benefit from a range of health and wellbeing benefits. For example, in many of our overseas locations the Group provides medical, dental and hospital insurance in line with what is customary for the market in those countries.

As a part of the 2019 CIMIC Graduate Induction, all 225 graduates attended a mental health resilience program. This program has been designed to provide graduates with the skills to identify early warning signals, build their resilience and to know how to seek assistance if necessary. This program - now in its second year - has been well received and is seen an essential element in their preparation, as many moved from education to their first full-time employment experience.

[36] Provided to all Australian employees and all of Thiess' international employees.
[37] Figures are to 30 September 2019 as December 2019 figures are not available until after the Sustainability Report is finalised.
[38] Measured as those eligible employees who have registered for the Program.
[39] Measures by the percentage of activated employees who have accumulated points to achieve a status above the entry level of Bronze.

Thiess' India Hub promotes inclusion through meditation

Thiess' India Hub has introduced a new wellness and wellbeing program as part of its commitment to keep everyone safe every day. Their Mind Over Matter program seeks to reduce injuries in the workplace and supports the emotional wellbeing of employees. The program engages employees through weekly meditation sessions that focused on physical, mental, emotional and spiritual wellbeing.

Thiess India and Leighton India joined forces during the year to celebrate the 2019 International Day of Yoga. Employees were guided through basic yoga practices of conscious breathing and stretching exercises. The program had the benefits of promoting an inclusive workplace, leading to happier and healthier employees, but also prompted employees from both companies to connect which encourages collaboration.

Across the Group in 2019, other physical and mental health initiatives have included:

- executive briefings with Beyond Blue, one of Australia's leading mental health support specialists;
- Australian managers training in physical and mental health protective factors;
- peer support training;
- Group-wide 'Looking after your Brain' mental health webinar; and
- promoting campaigns such as R U OK and White Ribbon Day.

Celebration of R U OK? Day

Across the Group, teams of people celebrated R U OK? Day, taking time out to discuss the importance of checking-in with their teammates. Founded in 2009, R U OK? is an Australian non-profit suicide prevention organisation which encourages Australians to connect with people to address social isolation and promote community cohesiveness. R U OK? works collaboratively with experts in suicide prevention and mental health, as well as government departments, corporate leaders, teachers, universities, students and community groups. Its activities also align with the Australian Government's LIFE Framework.

The Group's commitment to mental wellbeing is delivered to employees through a range of initiatives, resources and tools, including the provision of training to help people to recognise the signs of when someone is not OK.

PROTECT THE PUBLIC

CIMIC's commitment to safety and care extends to our clients, partners, suppliers, communities and the wider public. We seek to preserve the health and safety of anyone who may be exposed to our activities.

Many of the Group's projects are being constructed, operated or maintained in heavily populated urban areas. Safety is incorporated into the design and results in a range of preventative measures to protect people, including passing motorist, passengers of public transport and pedestrians.

Keeping safety on track

The Canberra Metro consortium, which includes CPB Contractors, UGL and Pacific Partnerships, successfully delivered the first stage of Canberra's 12km Light Rail project as a public private partnership (PPP). With the light rail service operating since April 2019, the safety of our workers, operators and members of the public remains the highest priority of the consortium.

Central to the safe operation of the new light rail system is the Operations Control Centre (OCC). From a secure control room, operators and supervisors in the OCC are responsible for the safe movement of light rail vehicles (LRVs), monitoring their progress using CCTV cameras and GPS tracking. The OCC is also responsible for the overall supervision of the system, coordinating incident responses and interfacing with emergency services.

On the ground, the role of customer service officers (CSOs) is to provide a safe and world leading service for passengers and the community. The CSOs have speciality training in rail safety, disability awareness, conflict management, vision impairment and cultural awareness. They have also completed first aid, sharps and CPR training to ensure they are professionally equipped for any situation.

Embedding safety into the design of Canberra's new LRV's has been critically important. The LRVs are fully accessible with low floors and double doors reducing the potential for tripping hazards, while there are dedicated areas for wheelchairs and bicycles. Seating is modular, interchangeable and ergonomically designed. Coloured hand grips near the doors make it easier for passengers to board and alight the vehicle, and handrails inside the cabin provide support when the LRV is in motion. Audio alarms and pilot lights have been installed to warn passengers when the doors open and close. LRVs are also fitted with an integrated emergency communication help point system.

Passenger safety has been considered in the design of Canberra's light rail stops. Safety elements include; auditory announcements, digital information displays, accessible ramps and level boarding areas. Security has also been considered through the provision of lighting, closed circuit television cameras and help points. Wind break screenings at Canberra Metro rail stops are adorned with local artwork.

During 2019, there was one incident resulting in a near-miss to a member of the public. This involved a sign, installed by CPB Contractors on the Tullamarine Freeway in Melbourne, falling onto a car. The driver escaped serious injury. CPB Contractors has undertaken a full investigation and taken steps to prevent similar incidents in future. They include: increasing surveillance of offsite subcontractors and suppliers; improving processes to ensure subcontractors show that fabrication, construction and installation follow approved designs; and including 'hold points' in the design and construction processes to ensure vital quality and safety elements are verified before works continue.

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 ensures appropriate Group capabilities are in place to respond if required. CIMIC undertakes regular testing of its ability to respond to a crisis.

OUTLOOK AND FUTURE PLANS

We are committed to our people returning home safely at the end of each day's work. In 2020, 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:
    - continuously improving the quality of the C1 and PC1 investigation process;
    - developing and implementing hard controls where possible; and
    - reviewing the controls put in place in response to C1 and PC1 incidents to measure their effectiveness;
- implement a CIMIC wide occupational hygiene standard to identify and manage the risk of occupational illnesses;
- continue to build functionality in the Group-wide Health & Safety Database, introducing mobile applications for inspection, observation, audit and incident modules;
- analyse safety and business performance data to develop and improve lead indicators with the aim of improving business resilience;
- drive improvement to the Group's contractor management program, including increasing capacity to assist in the consistent application of contractor pre-qualifications, approvals and performance assessments; and
- continue to consolidate and simplify our safety systems across the CIMIC Group.

INTEGRITY

OUR APPROACH

Integrity, which is based on respect and honesty, is one of CIMIC's four fundamental Principles. Acting with integrity means that we must respect ourselves, and our colleagues, clients, suppliers and shareholders. Our commitment to acting with integrity is enshrined in our Group Code of Conduct ('the Code') which can be found on the Group's website.

The Code sets the requirement and standards of behaviour we expect, across CIMIC Group Limited and entities it controls, regardless of Operating Company, role or country. The Code applies to all employees of the Group, our directors, any third parties we do business with, and all alliances and joint ventures in all jurisdictions. Where the Code or a policy sets higher standards of behaviour than local laws, rules, customs or norms, the higher standards will apply.

While the Code provides a framework, it cannot describe every situation, law or policy that may apply to our people. We expect them to exercise good judgement, to justify their actions, and try to prevent any potential breaches. The Code is supported by training and the CIMIC Ethics Line. It has been translated into local languages to reflect the numerous 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 ▪ Anti-Bribery and Corruption Policy; Gifts and Hospitality Policy; Dealing with Third Parties Policy; Whistleblower Policy; Approval to Operate Internationally Policy ▪ Group-wide, independently operated, confidential Ethics Line available for reporting concerns
Actions taken during 2019	▪ 25,419 employees have completed formal Code training as part of a requirement to be trained within 3 months of joining and, thereafter, every 2 years ▪ Implemented a third-party due diligence solution to screen third parties ▪ Separated the Whistleblower Policy to a stand-alone policy ▪ 8,188 people undertook on-line whistleblower training ▪ Made STOPLine App available for reporting of business concerns
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 the Code ▪ 82 potential ethical issues reported to the CIMIC Board's Ethics, Compliance & Sustainability Committee (ECSC), all matters were dealt with internally under the supervision of the Reportable Conduct Group and the ECSC
Operate honestly and transparently	
Measures in place	▪ Market Disclosure and Communications Framework; Privacy Policy; Record Retention Policy; Securities Trading Policy
Actions taken during 2019	▪ Made 90 announcements and disclosures via ASX
Performance	▪ No breaches of continuous disclosure ▪ Group is unaware of any substantial complaints regarding breaches of privacy or other matters by clients or other stakeholders
Support sustainable procurement	
Measures in place	▪ Procurement Policy which integrates the Group's commitment to sustainability; Dealing with Third Parties Procedure ▪ Sustainability Policy commits the Group to integrating environmentally and socially responsible sourcing into procurement
Actions taken during 2019	▪ 30,027 vendors and suppliers screened using due diligence solution
Performance	▪ 13% of suppliers and vendors required further investigation and assessment related to their identified risk rating and justification for continued use by CIMIC Group with corrective action plans in place
Leave a positive legacy	
Measures in place	▪ Diversity & Social Inclusion Policy which promotes Indigenous employment and Indigenous suppliers in the supply chain, national inclusion in the workforce and gender equity ▪ Sustainability Policy which commits the Group to leaving positive legacies ▪ CPB Contractors, Thiess and UGL all have a Reconciliation Action Plan (RAP) in place ▪ CPB Contractors partners with CareerSeekers, a humanitarian employment program
Actions taken during 2019	▪ Numerous, project-by-project initiatives tailored to meet the needs of local communities
Performance	▪ Operating Companies investing $1,045k to support a range of corporate community programs

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 and detection of, and initiatives to eliminate, bribery and corruption. Our commitment is supported by additional governance documents including: Group Code of Conduct - Management, Monitoring and Reporting Policy; an explicit Anti-Bribery and Corruption Policy; Whistleblower Policy; Dealing with Third Parties Policy; and Third Party Anti-Bribery, Corruption and Business Integrity Declaration. Collectively, these documents:

- identify roles, responsibilities and obligations of leadership and employees;
- prescribe training requirements of various roles in the Group; and
- detail related processes, including:
  - the 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 and ensuring it is confidential, objective, independent and fair; and
  - setting out key contacts and details.

CIMIC is committed to abiding by Principle 10 of the United Nations Global Compact which states that "Businesses should work against corruption in all its forms, including extortion and bribery" .[40]

We expect our people to comply with all relevant laws and regulations, wherever we operate, and they must not participate in any arrangement which gives any person an improper benefit in return for an unfair advantage to any party, directly or through an intermediary. CIMIC's commitment includes facilitation payments[41], even if these are allowed under local laws or customs.

On behalf of the Board, the 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 matters considered by the Reportable Conduct Group (RCG) of each Operating Company including matters referred to those RCGs from all sources including calls to the Ethics Line. Any serious matters are also reported to the ECSC in more detail.

Business Conduct Representatives (BCR) are also appointed within CIMIC and each Operating Company. Their accountabilities include to: provide advice and guidance to the Company and to individuals on the application of the Code and related policies and procedures; assist individuals with business conduct concerns; deal with any allegations of victimisation following a concern being raised; report serious business conduct concerns to the Reportable Conduct Group where appropriate; assist the RCG to implement, monitor and maintain anti-bribery and corruption controls; maintain a register of all alleged and proven breaches of the Code; and to ensure all employees attend Code training as required and that records of attendance are kept.

Dealing with third parties

Given the Group's diverse portfolio of projects, we enter into business relationships with a range of third-party entities and individuals which 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 any of these 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 all circumstances we will seek to have our business partners adopt the Code.

Appropriate due diligence must be conducted, in accordance with the Dealing with Third Parties Policy, before entering into a commercial relationship with a third party on behalf of the Group. 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.

All contracts entered into must be signed before works, supply or services commence, and must be approved in accordance with the Group Delegations of Authority.

---

[40] The Ten Principles of the UN Global Compact.

[41] Facilitation payments are payments of cash or in kind made to secure or expedite a routine service, or to 'facilitate' a routine Government action.

Implementation of Group-wide Supplier Due Diligence solution
In 2019, CIMIC implemented an internationally recognised due diligence solution to screen third parties for a range of risk factors. The solution is used to screen third parties (including vendors, suppliers and business partners) against a range of factors which include:

- sanctions, watch-lists, adverse litigation and Politically-Exposed-People (PEP) lists;
- adverse media (print media and social media) screening for all jurisdictions in which CIMIC operates;
- financial information including company ownership, structure, credit rating and financial strength; and
- searches that address Modern Slavery, bribery and corruption due diligence requirements.

The findings indicated that, across 30,027 vendors and suppliers, 13% of suppliers required further investigation and assessment related to their identified risk rating and justification for continued use by CIMIC Group.

The Group utilises a rating system for the assessment of all third parties before entering into formal business relationships. This rates third parties as Low, Medium or High risk [42] to ensure that risks are appropriately assessed and then managed during the course of those relationships. Appropriate due diligence must be carried out on all third parties prior to formal engagement.

Approving managers are free to engage with Low Risk third parties subject to appropriate procurement/ tendering standards being followed. Medium and High Risk third parties may only be engaged after escalating integrity checks are completed and they have completed and executed a Third Party Anti-Bribery and Corruption Declaration[43]. Where either the Declaration or the integrity checks are not to the satisfaction of the approving manager, further enquiries must be made.

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. To this end, the Group has an Approval to Operate Internationally Policy which applies to all employees of the Group, third parties engaged by the Group, and all alliances and joint ventures in all jurisdictions. The Policy mandates the use of traffic lights system - to rate a country's approval status or its prospective risk - which was described in detail on page 76 of the Sustainability Report in the 2018 Annual Report.

CIMIC maintains a Register of Approved Countries which is integrated with the Group Delegations of Authority and Group Tendering Policy.

Political donations

As per the Corporate Affairs Policy, the Group does not make donations, either in kind or directly, to political organisations, political parties, politicians, or trade unions, and will not make or solicit payments to organisations which predominantly act as conduits to fund political parties or individuals holding or standing for elective office. Prohibited political activities or contributions include free or discounted use of the Group's premises or equipment as a donation to a political party.

Attendance is not permitted by employees, who are representing the Company, at a function or event which is a political fundraiser. This includes fundraising events where employees do not pay for attendance.

In keeping with this Policy, the Group has not made any donations, either directly or in-kind, to political organisations, political parties, politicians, or trade unions between 2015 and 2019.

Supporting and protecting whistle-blowers

Our employees, subcontractors and partners are encouraged to voice their concerns should they identify potentially unethical practices. CIMIC will support people who speak up in good faith and do the right thing, and we are committed to providing support and protection for whistle-blowers against any reprisal for reporting a breach or potential breach of the Code.

---

[42] The Dealing with Third Parties Policy has a detailed definition for 'High Risk' third parties.
[43] With the exception of third parties designated as Low Risk, such as a government or state-owned enterprise ranked lower than 40 in the Corruptions Perceptions, a client who has been rated in Band A or Band B of the Defence Companies Anti-Corruption Index published by Transparency International UK (or any subsequent index published by Transparency International relating to companies), or an existing client designated as Low Risk by the CEO.

Compliance with new Whistleblower legislation
A standalone Whistleblower Policy was created in 2019 in line with changes to the *Corporations Act* concerning laws protecting whistleblowers. The Policy manages whistleblower disclosures and provides clarity around how the Group supports and protects whistleblowers when a disclosure is made. This Policy builds on the Group's long-standing commitment to support whistleblowers enshrined in the Company's Code and the Code of Conduct – Management, Monitoring and Reporting Policy.

CIMIC has undertaken an employee communication and training program to ensure that the legislative changes, and obligations under it, are well understood. The program included:

- emailed messages from the CEO and publication of an article about the new legislation on *Pulse*, the Group's internal newsletter;
- development and distribution of posters and materials for the delivery of toolbox talks by managers and supervisors;
- a refresh of the intranet information page which outlines the channels by which people can raise concerns and also provides contact details for the Business Conduct Representatives and the Ethics Line;
- the Ethics Line branding on each Operating Company's intranet – linking employees to the relevant intranet page and *Pulse* article – has been refreshed; and
- online training available to all staff on 'One Learning', the Group's new cloud-based learning management system.

There may be circumstances when people will prefer to speak to someone other than their manager about their ethical questions or concerns. CIMIC provides access to the Ethics Line, at zero cost to our employees, subcontractors, partner and other stakeholders, so they can raise issues and have them investigated while remaining anonymous should they wish to.

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 in which we operate and the languages our people speak. All reports made to the Ethics Line are treated confidentially.

Matters can be reported to the Ethics Line via phone, fax, online, email or post. This year, a free App has been made available – via the iTunes App Store or Google Play – to facilitate the reporting of an issue to STOPLine.

The nature of the matters considered by Operating Company RCGs in 2019 have been as follows:

Issues reported to the ECSC (#)	2019	2018
Conflicts	5	16
Breaches of code/procedures	28	30
Misappropriation/theft	9	11
Fraud	1	5
Human resources related	28	47
Other	11	12
Total	**82**	**121**

Of the matters reported in 2019, all were investigated by the respective Operating Company's RCG and the ECSC apprised of the material details.

Communication and training

On induction to the Group all employees are provided with a copy of the Code and supporting documents. The Code is to be accessible in each office and project site and is published on the intranets of CIMIC and each of the Operating Companies. Any updates to the Code are promptly communicated to all employees.

All employees are given training in the Code. The mode of delivery is dependent on where employees are located and their role in the organisation. Staff complete an online training module and wages employees complete a face-to-face module as part of their induction. Where on-line training is not available, training will be provided by alternative delivery methods (such as via CD or paper).

It is mandatory for all decision-makers in senior management, as well as 'high risk'[44] roles, in addition to the on-line module, to undertake a 2-hour standardised face-to-face training session delivered by a CIMIC or Operating Company General Counsel or delegate. This training outlines the importance of the Code, and bribery and corruption prevention and control. In 2019, 2,580 employees undertook this face-to-face training.

[44] 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.

All training must be completed within three months of commencement in the role (either as a new hire or by promotion to a relevant role) and then at least once every two years thereafter. Training records must be maintained. Across the Group, 25,419 employees completed some form of training on the Code in 2019 versus 23,837 in 2018.

Employee completing Code training (#)	2019	2018	2017
Total	25,419	23,837	18,870

OPERATE HONESTLY AND TRANSPARENTLY

Our people are expected to operate and communicate honestly and transparently, to build and maintain the confidence and trust of shareholders and other stakeholders, and to work collaboratively with the communities that we work in.

CIMIC is also committed to providing continuous disclosure of information to keep the market informed in a manner which is consistent with the meaning and intention of ASX Listing Rules.

Continuous disclosure and insider trading

As a publicly listed company, CIMIC is required to comply with the continuous disclosure obligations set out in the ASX Listing Rules and the Corporations Act. CIMIC's comprehensive Market Disclosure and Communications Framework sets out the principles, policy and procedures which have been adopted. This is essential for the maintenance of shareholder confidence and market trust.

CIMIC maintains a comprehensive Securities Trading Policy which sets out the requirements and responsibilities of officers, executives, certain contractors of, and people connected to, CIMIC Group regarding dealings in CIMIC Securities. The purpose of the Policy is to ensure that CIMIC Group officers and executives comply with the law, including the law prohibiting insider trading. This Policy also contains obligations to keep CIMIC Group information confidential.

Under the Policy, CIMIC Group people may only deal in the Company's securities within designated trading windows (and providing they are not in possession of inside information) which are six-week periods commencing on the next trading day after the release of the Group's quarterly/half year/full year results. Even within these windows, employees prescribed by the Policy must obtain prior approval from the CIMIC Company Secretary before trading and a record of these approvals is maintained.

CIMIC's Policy prohibits short term dealing (i.e. buying and selling within a 3-month period), entering into other short-term dealings (i.e. forward contracts), margin lending arrangements and the hedging of CIMIC securities.

During 2019, there were no reported breaches of the Group's continuous disclosure obligations.

Privacy and record retention

CIMIC regards the fair and lawful treatment of personal information as being of the utmost importance. Our commitment is enshrined in the Group's Privacy Policy which applies to all employees, third parties engaged by the Group, and all alliances and joint ventures in all jurisdictions.

CIMIC will only collect, hold, use or disclose personal information where it is reasonably necessary to:

- enable CIMIC to deliver services or information to individuals or to an organisation;
- maintain or establish a business relationship, including as a customer, supplier, contractor, or employee;
- enable CIMIC to assist to provide services; or to improve, and better understand preferences in respect of CIMIC services; and/or
- fulfil legal or regulatory obligations.

The Group is unaware of any substantiated complaints regarding breaches of privacy by employees, clients or other stakeholders during 2019.

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

Tax payment and disclosure

As per our Code, CIMIC is committed to complying with all applicable rules, laws and regulations governing business reporting. All information created and maintained, as a result of the Group's business activities, must accurately reflect the underlying transactions and events, and follow Group reporting policies and procedures. Financial officers and others responsible for the accuracy of financial reporting have an additional responsibility to ensure that adequate internal controls exist to achieve truthful, accurate, complete, consistent, timely and understandable financial and management reports that are prepared in accordance with relevant laws, accounting standards, policies and procedures.

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 enter into transactions that do not have a legitimate business purpose. CIMIC is committed to the management and payment of taxes in a sustainable manner considering the commercial and social imperatives of governments, our business and our stakeholders, and this commitment is supported by strong corporate governance policies.

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 (ATO) Risk Differentiation Framework and participates in the ATO's annual Pre-lodgment Compliance Review and the Justified Trust assurance review programs. These programs are based on transparent and cooperative disclosure and enables CIMIC to provide increased confidence in relation to the amount and timing of tax paid.

The Group reports an aggregated tax expense in the Financial Report section of the Annual Report. In 2019, the Group's effective tax rate was 27.0% (versus 28.0% in 2018), compared to the Australian corporate tax rate of 30%. The Group has maintained an average effective tax rate of approximately 30% over the past five years which can be seen in the previous year's Financial Reports.

The difference between the effective tax rate and the Australian corporate rate is reconciled in the Financial Report[45] and 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.

We note that, in addition to the corporate tax expense incurred, the Group is a substantial generator of payroll taxes, and other taxes and duties, which contribute substantially to the revenue of various State and National governments. For example, in the 2018/19 year CIMIC paid more than $138 million of State payroll tax in Australia (v $123 million in 2017/18).

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.[46]

Open and transparent relationships

The Code sets out the Group's commitment to the principles of free and fair competition and avoiding any anti-competitive conduct. We encourage our people to compete vigorously but fairly, whilst always complying with all applicable competition laws.

The Group is committed to complying with all applicable national and international laws, regulations and restrictions relating to the movement of materials, goods and services. In 2019, there were no instances of significant fines or sanctions for non-compliance with Australian and international laws and regulations.

No legal actions were commenced during 2019 or are outstanding with respect to anti-competitive, anti-trust or monopoly behaviour, and 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.[47, 48]

The Group does not sell banned or disputed products or services.

SUPPORT SUSTAINABLE PROCUREMENT

Procurement is vital to the Group's operations and integral to successful project delivery, control of costs, sustainability of outcomes and reliable financial performance - for the Group and for our clients. CIMIC'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.

---

[45] The amounts of which are disclosed in Note 6: Income tax expense – Reconciliation of prima facie tax to income tax expense, in the Financial Report within the Annual Report.

[46] Governments at local, State and National 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.

[47] 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 conclude.

[48] In 2019, a former CFO of the Company was sentenced by the New South Wales District Court and convicted on 2 counts of contravening section 1307(1) of the *Corporations Act 2001* by having engaged in conduct that resulted in the falsification of the Company's records in the 2010/11 financial year. The Australian Securities and Investment Commission has not alleged that the falsification has misstated the accounts of the Company in the relevant period, nor has the Company been charged with any offence.

CIMIC joins the Supply Chain Sustainability School of Australia

In 2019, CIMIC joined the Supply Chain Sustainability School as a Full Partner. The School was established in 2015 to increase sustainability knowledge and competency along the construction and infrastructure supply chains.

With an emphasis on supporting small-to-medium enterprises, the School provides free e-learning, information and face-to-face training for construction and infrastructure suppliers, contractors and service providers. Companies, teams or individuals signing up can access a wealth of free resources and tools to meet increasing sustainability demands and performance benchmarks, and to help build clever, collaborative and competitive construction and infrastructure sectors.

The resources of the Australian School are provided free to all supply chain members. These free resources complement existing construction sector standards, rating schemes and frameworks developed by the Infrastructure Sustainability Council of Australia, the Green Building Council of Australia and Federal and State Government Departments. The Supply Chain Sustainability School provides targeted learning and support to address all the main sustainability issues including materials, carbon, environmental management, waste, water, biodiversity, ethics, community, climate adaptation, procurement, as well as human rights and modern slavery.

All suppliers must comply with the Code and 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.

When evaluating suppliers, a comprehensive assessment must be undertaken that includes pricing criteria 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 ratings as per the approved supplier list.

World sourcing for local tunnels

The first underground section of WestConnex, the New M4 Tunnels, part of Australia's largest road infrastructure project, opened to motorists in August 2019. The 5.5km twin tunnels and supporting infrastructure, linking Homebush to Haberfield in Sydney's inner west, were delivered utilising the local construction expertise of CPB Contractors' multidisciplinary teams and an international procurement strategy to secure specialist equipment.

The project's Mechanical and Electrical implementation team were responsible for managing the global procurement and production of the equipment required to support the tunnels' operations. The team worked with nearly 100 suppliers and production centres across Europe, Americas, Asia and Australia, sourcing specialist systems and equipment for the operation of the tunnels, driving suppliers to deliver on time, ready for installation. More than 3,000 mechanical and electrical workers were inducted into the site to install the globally sourced equipment, such as the large-scale ventilation and fire systems used to finalise underground works and the Parramatta Road Ventilation Facility.

As a result of the screening process applied to third parties of the due diligence solution (see page 79), CIMIC has been able to capture and analyse more detailed supplier information as set our below.

Supplier information	Absolute number of suppliers (#)	Share of total procurement spend (%)	Percentage of suppliers assessed for risk in the last 3 years (%)
Total Tier 1 suppliers[49]	30,027[50]	100	100[51]
Critical Tier 1 suppliers[52]	419	68	
Critical non-Tier 1 suppliers[53]	1,465	Not available	
Tier 1 suppliers classified as 'high risk'[54]	3,844	6	
Critical non-Tier 1 suppliers classified as 'high risk'	13,454	Not available	
Local suppliers[55]	24,022	60	

We encourage support for local suppliers where this makes commercial sense and they can meet the requirements of the project. Locally sourced goods and services can provide support for local employment, boost regional economic growth and create

[49] Refers to suppliers that directly supply goods, materials or services (including intellectual property (IP) / patents) to the company.
[50] Each of CIMIC's Operating Companies maintains its own supplier database and the cumulative number of suppliers is currently 30,027.
[51] The implementation of the third party due diligence solution and supporting processes across all Operating Companies, outlined on page 79, has enable the confirmation of 100% of all suppliers being assessed. The implementation started late in 2018 and was completed mid-2019. All existing suppliers were risk assessed as part of this implementation by July 2019.
[52] Critical suppliers include high-volume suppliers, suppliers of critical components and non-substitutable suppliers.
[53] Refers to suppliers that are considered critical (see definition above) and provide their products and services to the supplier at the next level in the chain (Tier-2 suppliers provide goods and services to Tier-1 suppliers).
[54] High-risk supplier: The suppliers with an extreme or high risk rating identified through the third party due diligence solution outlined on page 79.
[55] Local suppliers: Suppliers located within the country or region of the entity's operations.

upskilling opportunities for the workforce. In some cases, purchasing local products and services can minimise transport costs, reducing fuel consumption and the associated greenhouse gas emissions.

Thiess support inmates to develop trade skills
In the heart of New South Wales' Hunter Valley mining region, Thiess' Mount Pleasant Operations and Mount Arthur Coal mine teams are working with Corrective Services Industries (CSI) to equip inmates at the nearby St Heliers Correctional Centre with skills to prepare them for life beyond their sentence.

The partnership is the first of its kind, engaging over 45 inmates from St Heliers Gundi program, which is set-up to support inmates to build trade skills and employment prospects for when they are released. Despite not having supplied to Thiess or a mine site previously, CSI has partnered to deliver quality, new and refurbished buildings to meet both the requirements of both mines. During the installation phase of the project, Thiess also engaged with two local Indigenous companies Blackrock Industries and Bodycote Constructions who both utilise workers from the Gundi program, taking advantage of their newly acquired skills. Thiess has been provided with modern, fit for purpose facilities, built to specification and a high-quality finish, that are durable and can be relocated to another site at project completion, making them a viable economic solution.

The partnership was named as a finalist for the 2019 Australian Mining Prospect Awards for its commitment to building skills and opportunities for inmates in New South Wales' Hunter Valley. Thiess was recognised in the category of 'Community Interaction' celebrating industry programs that benefit the broader community. The national awards recognise and celebrate the contributions and achievements of individuals and businesses within the mining and resource sector.

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, fuel and subcontractors (such as electricians, plumbers, glaziers, steel fixers and other tradespeople). We work with our suppliers to identify measures to improve the efficient use of resources and seek to minimise the impact of our construction materials such as steel, timber and concrete. Some of the measures utilised to minimise the impact of construction materials 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.

The Shanghai team behind the well-oiled machine
Sedgman's procurement hub in Shanghai, China has been operating for more than 10 years, successfully delivering low-cost sourcing solutions that meet stringent quality standards. The hub has delivered fabrication works for several significant projects, including the most recent components and modules for Sedgman's stage 2 Coal Processing Plant (CPP) at the Byerwen mine in Queensland.

On the Byerwen CPP project, Sedgman coordinated the fabrication of steel components and modules in China, Canada and Germany, shipping to Mackay, trucking 200km west to the site and the erection. The process, from first drawings going to the fabricator to onsite installation, was completed in only eight months. It involved 12 shipments of 194 40ft containers from China and 10 40ft containers from Canada, and 252 trailer loads of overseas supplied goods.

With a full range of procurement capabilities, supporting Sedgman and other CIMIC Group companies, the team is constantly evolving and expanding their competencies. Behind this well-oiled machine is a small, hardworking team of eight in Shanghai. Importantly, the team can bridge any communication gap when relaying the needs of the Australian engineering and procurement teams to Chinese fabricators.

CIMIC appreciates the valuable role played by suppliers and subcontractors and promotes their fair treatment and payment within negotiated and contractually agreed terms. CIMIC will continue to comply with all payment terms prescribed by the Federal and State Governments.

Thiess highly commended at QRC Indigenous Awards
Thiess' Supply Chain team were recognised at the Queensland Resources Council (QRC) Indigenous Awards during 2019, receiving a highly commended award for 'Best Company Indigenous Procurement Initiative' for their Indigenous Networking Breakfast. The event connected key stakeholders with the Thiess team and Indigenous business community to discuss creating opportunities for Aboriginal and Torres Strait Islander peoples.

LEAVE A POSITIVE LEGACY

The diverse nature of the Group's projects means that our work has the potential to impact on many people including nearby workers, residents, communities, commuters and visitors, amongst others. CIMIC seeks to leave positive legacies by identifying the potential impacts of its projects and finding ways to minimise any harm to those who might potentially be impacted.

Minimise community disruption

Our Operating Companies work to minimise disruption, as much as practically possible, to those communities impacted by the Group's activities as we deliver infrastructure, mining, services and public private partnership projects for our clients. When there is some disruption, the Group tries to minimise the effect by engaging proactively, being approachable and developing positive relationships with potentially impacted community members.

Launch of Rail Safety Week in Canberra

Rail Safety Week in Canberra was officially launched in September 2019 with Canberra Metro Operations (CMET) organising a community event to showcase the importance of safe behaviour around the light rail system. The event was attended by the ACT's Minister for Transport and City Services, Chris Steel, as well as students from local schools and representatives from the Australasian Rail Association and TrackSAFE Foundation. UGL and CPB Contractors are proud sponsors of the TrackSAFE Foundation which represents a holistic all-of-industry approach to tackling safety issues impacting on the rail sector and its people.

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 developed its own community engagement policy and framework, relevant to its individual stakeholders.

Stakeholder Engagement Plans are incorporated in the planning process for many projects, which include the recording and tracking of community concerns. Some of the tools used to support interaction with communities include: hosting community meetings and forums; presenting to schools; establishing information centres; providing community notice boards; mailing or emailing progress updates; offering community information lines; and sending SMS updates.

Project life cycle

The Group delivers infrastructure, building and resources projects whose life will extend for many years beyond our construction involvement. On behalf of our clients, the Group's Operating Companies regularly collaborate with clients to evaluate the lifecycle consequences of these projects and, where possible, work to deliver solutions that add value over the longer-term.

Increasingly clients are engaging CIMIC Operating Companies to undertake lifecycle evaluations of projects - such as climate risk assessments, under a range of scenarios – to determine the best outcome over the life of that project. Additionally, our Operating Companies often provide value adding engineering solutions which may well deliver a more cost-effective project for clients in the long-run, when operations and maintenance cost are considered.

Cross River Rail incorporates lifecycle approach

CIMIC Group companies, Pacific Partnerships, CPB Contractors, and UGL, as part of the Pulse consortium, have been awarded a contract, as a PPP, to deliver the tunnelling works, new underground stations, and ongoing maintenance services for Brisbane's Cross River Rail project. Cross River Rail is a new 10.2km rail line which includes 5.9km of twin tunnels under the Brisbane River and CBD. In addition, CPB Contractors and UGL, along with their Unity Alliance partners, will deliver the Rail, Integration and Systems (RIS) package of the Cross River Rail project.

The contractual arrangements require the contractors to manage the detailed design process to achieve a range of environmental outcomes. Sustainability initiatives, particularly in relation to energy consumptions and savings throughout the project's lifecycle, are to be incorporated into the detailed design and tracked via a Sustainability Tool (e.g. ISCA's rating tool) through to the project's implementation.

Community investment

CIMIC is proud to contribute to the communities impacted by our projects and services and will do so by supporting local charities and community groups, and by facilitating employee volunteering and charity support. We support a range of initiatives that aim to make a tangible, genuine and lasting improvement to the quality of people's lives.

Volunteers rolling up their sleeves

Sedgman has developed a formal program of corporate volunteering which is strengthening its community partnerships and providing opportunities for people to give their time when help is needed. Since the beginning of March 2019, every Sedgman employee can undertake volunteering for up to two days per year. The first group of volunteers recently assisted a community organisation hosting a Harmony Day event.

Ten people from Sedgman's Vancouver, Canada office used their two days of paid volunteers leave to help build safe, affordable houses for low income families in their local community with Habitat for Humanity. This charity work towards a world where everyone can have the opportunity to afford home ownership. Lack of affordable housing is a key issue in this community and the team thoroughly enjoyed working together and helping out.

A pilot team has also been given access to an online platform where individuals can provide digital support rather than the traditional 'hands-on' activities associated with volunteering. Opportunities taken up via this platform have included grant writing, development of a marketing flyer and Skype mentoring. Time spent volunteering is tracked allowing Sedgman to accurately report on its impact.

In 2019, CIMIC directly invested ~$1,045k in corporate community investment programs, up from $715k in 2018 and $500k in 2017. This figure only represents CIMIC's direct spend and does not reflect the dollar value, or extent of, the many initiatives that are undertaken by individuals and teams from across the Group.

CIMIC supports Bridges to Prosperity in Rwanda

In October 2019, two volunteers sponsored by CIMIC Group, alongside colleagues from HOCHTIEF, completed the construction of the 34 metre Rufuha footbridge over the Kagaga River in the Western Province of Rwanda. The Kagaga River can become dangerous to cross, especially during one of the two - the big and small - rainy seasons. Last year, 2 primary school children – aged 8 and 10 – lost their lives on the way to school. In the past three years, five more people have died attempting to cross near where the new Rufaha Bridge has been built. The new bridge now provides safe, year-round access for members of the Munini and Karehe communities to access their school, markets and health centre.

The Rufuha Bridge was delivered in partnership with not-for-profit charity organisation Bridges to Prosperity (B2P), which has signed a Memorandum of Understanding with the Rwandan government to build 350 footbridges across the country over the next five years. B2P is one of HOCHTIEF's main areas of sponsorship and CIMIC Group was pleased to again support this worthwhile initiative by contributing the time and effort of two of our people. Tim Anderson, a Site Engineer with CPB Contractors currently working on the West Gate Tunnel Project in Melbourne, and Caitlin Ziviani, an Environmental Graduate with UGL in Brisbane, were selected from amongst the many high calibre applicants across CIMIC Group to work on the two-week project.

An important aspect of the bridge build was teaching the local workers engineering and construction skills. Working together in small teams, the CIMIC/HOCHTIEF/B2P members were able to pass on their knowledge to the locals. The team trained the workers in the safe use of fall arrest systems and harnesses when working at heights. An emphasis on working safely was set right from the beginning of the project. Each day would start with a safety pre-start meeting to discuss risks and hazards of each activity and near misses were reported to the supervisors.

Ahead of the trip, Tim started a GoFundMe campaign to buy sports equipment for the local kids. Employees, friends and family of CIMIC, HOCHTIEF and ACS raised A$1,515 for footballs, soccer balls, frisbees and skipping ropes to donate to the local primary school. The children were thrilled with the sports equipment, which was greatly welcomed as, prior to the visit, the school had one soccer ball for 300 students. The fundraiser exceeded its target of A$1,000 so an extra A$515 was donated to the school for vital supplies such as stationery and school books.

Thiess leads STEM education

Thiess has partnered with the Queensland Minerals and Energy Academy (QMEA) to deliver the first ever Collinsville STEM[56] Proud Robotics Competition in the Whitsundays, Queensland. The competition wraps up the first of QMEA's STEM Proud programs, sponsored by Thiess. The program is designed to build the skills and capabilities of teachers and students in the Whitsunday region.

Year four to six students from Scottville State Primary School, Collinsville State School and St John Bosco Catholic Primary programmed LEGO® MINDSTORMS® EV3 robots through a series of mining and agricultural challenges. The competition was won by Scottsville State Primary School. The STEM Proud program helps demonstrate to students the education pathways that lead to jobs in the mining sector. As a business focused on technology and innovation, we recognise that an increased emphasis on STEM education is critical for the future. Enhancing STEM capabilities will provide a bridge to new jobs, new skills and help deliver sustainable growth in the Collinsville and Scottville communities. Thiess has continued its commitment to STEM development in the Bowen Basin, donating 24 LEGO® MINDSTORMS® EV3 robotic kits to local schools.

Each Operating Company develops its own program which underpins their social licence to operate and empowers our clients to achieve their community objectives.

Pedal Power - Thiess helps raise funds for Hunter Valley Families

Thiess cyclists have helped raise more than A$44,000 for Singleton Family Support Services, as part of the Hunter Valley's annual Mailrun Charity Bike Ride. The Thiess team again joined community cyclists to pedal a collective 1,200km through the Singleton countryside. The popular event, inspired by the original organiser - Ken Dreaper and his childhood mail route - raises funds to help local families through programs that build confidence and empower positive, independent decision making. The peloton was ably supported by Thiess volunteers who lined the streets, staffed drink stops and cheered riders along the course.

[56] Science, technology, engineering, and mathematics.

Respect local cultures and peoples

CIMIC is committed to respecting local cultures and Indigenous peoples. We also support opportunities to aid national development in overseas markets where we have a presence.

Thiess and Sedgman celebrate National Women's Day in South Africa

The Sedgman and Thiess teams in South Africa joined together on 6 August to celebrate National Women's Day, which is recognised as a public holiday in South Africa. National Women's Day commemorates the 1956 march in Pretoria, where over 20,000 women of all races and ages banded together to protest laws that restricted the movement of women in South Africa. The Day is celebrated now to commemorate the protest and to recognise the achievements of women from all corners of life in South Africa.

The teams were joined via video conference by Zenzi Awases, President of Women in Mining Namibia. Zenzi shared her story of being one of the first women in South Africa to take up a career as a geologist in the mining industry, which was illegal at the time. She explained the challenges she faced in the early years of her career when she was the only woman working in the sector, and how she now aims to empower and promote women in mining by developing mentoring partnerships. A motivational leader and speaker, Zenzi's contagious enthusiasm and passionate belief in people encouraged our Sedgman and Thiess teams to share their personal career goals in an exercise to understand each other as both professional colleagues and individuals.

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

Use of local employees and businesses

Where possible, CIMIC's Operating Companies seek opportunities to engage local employees and businesses, and to give preference to the employment of nationals over expatriates when practical. This approach is reflected in both the Sustainability Policy and the Procurement Policy, which both encourage Indigenous employment and the involvement of local communities.

Increasing diversity within our workplace and procurement processes

CIMIC Group has demonstrated its commitment to supplier diversity and providing more opportunities to Indigenous businesses by taking up a Group-wide membership of Supply Nation. This membership now encompasses CPB Contractors, Thiess, Sedgman, UGL, Pacific Partnerships and EIC Activities.

CPB Contractors was a founding member of Supply Nation, a non-profit organisation that aims to grow the Aboriginal and Torres Strait Islander business sector through the promotion of supplier diversity in Australia. Since then, other Group Operating Companies have also developed relationships with Supply Nation. CIMIC believes it is appropriate to coordinate this membership to ensure it aligns with our strategic objective of increasing both Indigenous employment and the use of Indigenous businesses across our supply chain(s). Supply Nation aims to connect companies, such as CIMIC Group, with Indigenous suppliers to build a vibrant and prosperous Indigenous business sector.

CPB Contractors wins national award for helping provide employment for disadvantaged Australians

At the 2019 Social Traders Awards, CPB Contractors was presented with the prestigious 'Social Procurement Partnership of the Year' award for an innovative partnership between Metro Tunnel Project's Rail Systems Alliance (RSA) and Kinfolk Enterprise. Kinfolk is a café and catering company that is actively addressing social inclusion by channelling 100% of its profits towards local and international charitable projects. CPB Contractors, who are part of the Rail System Alliance on Melbourne's Metro Tunnel Project, work in partnership with Kinfolk Enterprises as the social enterprise business of choice for special events, meetings and professional development sessions.

CPB Contractors is committed to supporting the communities in which its people live and work. By choosing to partner with social enterprises like Kinfolk, we are not only getting excellent service and value for money, but we also get the added value of creating jobs and opportunities for people who have struggled to find work or have been marginalised. This partnership demonstrates the very real impact and power of social procurement and the mutually beneficially outcomes for both Kinfolk and RSA.

OUTLOOK AND FUTURE PLANS

We are committed to acting with integrity and doing the right thing, regardless of where we operate. In 2020, we plan to:

- continue to reinforce the Code through senior management roadshows and presentations;
- implement legislative requirements relating to 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

Our people – more than 40,000 talented team members working in more than 20 countries – are delivering projects that engineer better, more sustainable solutions that take us into the future. The continued success of CIMIC is driven largely by the skills, passion and expertise of those people. We aspire to build a culture that encourages a can-do attitude and harnesses the talents of our people to deliver solutions for our clients and results for our stakeholders.

At CIMIC, we are committed to: providing supportive inclusive workplaces; developing our people; encouraging diversity; and rewarding performance.

Provide supportive workplaces	
Measures in place	▪ Workplace Behaviour Policy; Anti-Bullying, Harassment and Discrimination Policy; Diversity & Social 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 ▪ Measuring employee experience through onboarding, engagement and exit surveys
Actions taken during 2019	▪ Implemented program to support employees and their families experiencing family and domestic violence ▪ Entered Group-wide membership with Supply Nation to increase supplier diversity and provide more Aboriginal and Torres Strait Islanders businesses the opportunity to partner ▪ Expanded the Career Tracker program to provide workplace internships for Aboriginal and Torres Strait Islander university students ▪ Expanded the Neurodiversity program with the inclusion of people on the Autism Spectrum or people with a disability ▪ Launched the Thiess Allies network for employees who are LGBTIQ+ ▪ Developed on-line learning using standards which supports those with disabilities
Performance	▪ CIMIC Group recognised by LinkedIn as the seventh most sought-after company where Australians want to work
Train and develop people	
Measures in place	▪ Comprehensive learning and development plans in place across all Operating Companies ▪ Professional Development Policy
Actions taken during 2019	▪ Provided 282 (versus 222 in 2018) intern/vacation positions which placed students into short-term programs with CPB Contractors, Thiess, Sedgman, EIC Activities and UGL ▪ Delivered workshop training to 107 leaders on how to recognise, respond and refer an employee experiencing family and domestic violence ▪ Developed awareness training workshop material to raise awareness of risks of Modern Slavery in operations and supply chain ▪ Delivered EEO Anti-bullying and Harassment and Unconscious bias training to 10,254 employees ▪ Utilised GradConnection and Grad Australia 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 training topics (for graduates) run in 2019: Financial Management and Business Acumen completed by 165 graduates, 182 graduates completed Client Engagement and Risk Management and Self Leadership. Graduates also completed webinars on a variety of technical topics to support development within their chosen discipline ▪ Graduate committee run by six graduate volunteers ▪ Continued roll out of Program One leadership courses ▪ Contract management training delivered to 1,738 employees ▪ Developed online whistleblower training which has been delivered to over 8,000 employees ▪ Conducted 551 Leadership evaluations of mid-level Leaders across the Group
Performance	▪ Increased the number of graduates to 225 from 208 in 2018 ▪ Ranked 32nd in a survey of Top 100 Graduate Employer of 2019 by GradConnection[57] / Financial Review (versus 44 in 2018) ▪ Ranked 37th in the '2019 Top Intern Programs' by AAGE[58] ▪ Recognised as an Endorsed Employer of women by Work180
Encourage diversity	
Measures in place	▪ Diversity and Social Inclusion Policy; Anti-Bullying, Harassment and Discrimination Policy

[57] 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.
[58] Australian Association of Graduate Employers - the peak industry body representing organisations that recruit and develop Australian graduates.

	▪ Diversity & Social Inclusion Executive Council, chaired by CEO and with all Operating Company Managing Directors, Chief Financial Officer and Chief HR Officer as members ▪ Group's Operating Companies are supporters of and registered employers on Work180[59]
Actions taken during 2019	▪ Continued to deliver Equal Employment Opportunity (EEO), Discrimination, Anti-Bullying and Harassment training ▪ Acknowledged International Women's Day across Australian and overseas businesses to raise awareness of gender equality ▪ Continued to report workforce composition under the Australian Government's *Workplace Gender Equality Act 2012* ▪ Continued the roll out of Unconscious Bias training to 1,014 employees including across the Asia-Pacific region ▪ Conducted Human Rights Impact Assessment in the Philippines ▪ Developed an operational self-assessment tool to assess and address the risks of modern slavery in the Group's operations and supply chain
Performance	▪ 10,254 employees undertook EEO, Discrimination, Anti-Bullying and Harassment training which increased completion rates to 83% (versus 40% in 2018) ▪ Sedgman supported programs such as METS STEM Career Pathways[60] program supporting women studying engineering and connecting them with work placements and experience
Reward performance	
Measures in place	▪ Remuneration Policy - promotes individual accountability and aims to fairly motivate, recognise and fairly compensate without bias ▪ Incentive schemes linked to the creation of sustainable returns for shareholders
Actions taken during 2019	▪ Conducted Group-wide pay equity review as part of the annual remuneration review and implemented remediation actions as appropriate ▪ Undertook external benchmarking of remuneration approach to attract and retain talent ▪ Continued to review performance management approach by focusing on areas such as unconscious bias
Performance	▪ All remuneration increases and bonuses have a recent performance review rating of 'meets expectations or above' as a key input ▪ Ensure gender pay equity issues are considered during any decisions made regarding appointments, remuneration increases and bonus awards ▪ Group Executive leadership team (CEO & Managing Directors) WGEA[61] Pay Ambassadors promoting pay equity

Employee details

As at 31 December 2019, the Group directly employed 35,373 people, 16,959 in Australia and 18,414 in international operations, up from 38,423 last year (17,373 in Australia and 21,050 in international operations).

	2019	2018	2017
Direct Group employees (#)	35,373	38,423	37,779
Of which: Male	31,073	34,452	34,260
Female	4,300	3,971	3,519
Total Group employees (#)	40,234	46,959	51,001
Of which: Male	35,320	42,260	46,679
Female	4,914	4,699	4,322

Based on a share of the employees in our investments as follows - BIC Contracting (45%), Ventia (46.96%) and Devine (59.11%) - our Total Group employees is 40,234, down from 46,959 last year.

PROVIDE SUPPORTIVE WORKPLACES

CIMIC strives to provide workplaces where our people are supported, encouraged to reach their potential, and are free from harassment and bullying. We promote a culture that seeks to foster the innovation of our people and provide support for new initiatives.

In 2019, the CIMIC Group was again pleased to be recognised as one of the top 10 best companies in Australia for attracting and keeping top talent, ranking seventh overall in LinkedIn's Top Companies list[62]. This list is based on the actions taken by LinkedIn's more than 575+ million members and looks at four main pillars: interest in the company, engagement with the company's employees, job demand and employee retention.

[59] WORK180 is an international jobs network that connects employers with talented women.
[60] METS - Mining Equipment Technology Services, STEM - science, technology, engineering and mathematics.
[61] Australian Government's Workplace Gender Equality Agency.
[62] https://www.linkedin.com/pulse/top-companies-2019-where-australia-wants-work-now-natalie-macdonald/

Visible leadership

At CIMIC Group, we understand that successful leadership and accountability are intrinsically linked, for leadership without action and accountability cannot produce great outcomes. In essence, it's about 'leading with principle' – the central concept of the CIMIC Group leadership framework. It means being consistent, fair and resilient, owning our decisions and understanding the risks and consequences.

During 2019, CIMIC continued to build on its Group-wide leadership framework 'Program One' which was launched in 2016. The framework has 4 key training modules:

- Self-leadership – provides techniques for working with our Principles, and working as part of a team and building personal resilience;
- Frontline Leadership – provides tools and techniques for developing and motivating teams;
- Leading Managers – provides tools and methods on how to lead a function or business unit; and
- Executive Leadership – supports leaders to envision and enact high-performance in our Group.

During 2019, CIMIC continued to conduct 'Program One' workshops for members of frontline leadership across all Australian key states and Hong Kong. Training was provided for 1,639 participants (versus 1,926 in 2018) and delivered across other countries in Asia, as well as in Canada and Chile.

Communication is a critical element of visible leadership and underpins the development of a consistent culture across the Group. The Group's internal, digitally delivered newsletter 'Pulse', which was launched in 2016, continues to be an important tool. Pulse connects our more than 40,000 employees across multiple offices, projects and geographies, delivering consistent messaging and communication. In 2019, Pulse featured more than 150 articles; sharing ideas, launching new campaigns, announcing projects wins and encouraging performance. Pulse is an important initiative in building and solidifying a unified culture across the Group.

CIMIC continued to undertake on-boarding and exit surveys to better understand the employee experience of employees.

Human Rights and Modern Slavery

CIMIC is aware of its duty of care and is committed to respecting and observing human rights and actively avoiding human rights violations. Our commitment includes abiding by the human rights and civil liberties included in the Universal Declaration of Human Rights, and, specifically, the ten principles of the United Nations Global Compact[63] which explicitly identify - in relation to Human Rights and Labour - that businesses should:

- support and respect the protection of internationally proclaimed human rights - Principle 1;
- make sure that they are not complicit in human rights abuses - Principle 2;
- uphold the freedom of association and the effective recognition of the right to collective bargaining - Principle 3;
- uphold the elimination of all forms of forced and compulsory labour - Principle 4;
- uphold the effective abolition of child labour - Principle 5; and
- uphold the elimination of discrimination in respect of employment and occupation - Principle 6.

Principles 7-10, relating to Environment and Anti-Corruption, are addressed in their respective sections of this Sustainability Report. CIMIC's commitment to abiding by the principles of the United Nations Global Compact is embedded in the Sustainability Policy.

Humanitarian partnership provides pathway to employment

CPB Contractors is proud to partner with CareerSeekers, a non-profit organisation supporting Australia's humanitarian entrants into professional careers. The program provides in-depth preparation and support to both refugees and people seeking asylum who are either currently studying at university or looking to restart their professional career in Australia.

The program provides refugees and asylum seekers the chance to gain invaluable work experience in Australia and to establish important networks, which for most has proved extremely challenging since arriving in Australia. Since the formalisation of the CareerSeekers partnership in June 2019, CPB Contractors has provided 28 refugees and asylum seekers with internships for a 12-week paid period. Of these, 9 have gained full-time employment with CPB Contractors.

CPB Contractors was the first corporate organisation to sign-up to the '10x10 Program' with CareerTrackers – a 10-year commitment providing meaningful internships for Indigenous students around Australia. The 10x10 partnership includes a commitment to engage 25 new and existing Indigenous interns per year. Through our partnership with CareerTrackers, more than 100 Indigenous university students have completed internships with CPB Contractors since 2010. Many have been accepted into the CIMIC Group Graduate Program and we now have a talented and growing Alumni connected to our company.

We understand and recognise that we operate in some industries and geographies that are considered as being of higher risk in terms of Modern Slavery. These risks include bonded labour, forced labour, child labour and human trafficking which demands that we apply a high standard of vigilance.

[63] The Ten Principles of the UN Global Compact.

CIMIC explicitly rejects all forms of forced labour and will not tolerate child labour or any form of exploitation of children or young people. The Group is committed to complying with the International Labour Organisation (ILO) with respect to under-age workers. Our Code enshrines these commitments stating that, "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 supported by the Group's Dealing with Third Parties Policy which requires, amongst other things, for specific due diligence to be undertaken regarding modern slavery. 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 has established an internal assessment process to support its Human Rights commitments. This process is premised on the Human Rights Compliance Assessment (HRCA) Quick Check developed by the Danish Institute for Human Rights.

Over the last 3 years, CIMIC has undertaken Human Rights Impact Assessments (HRIA) of operations in the following countries:
- 2017 - construction business in India;
- 2018 - mining operations in Indonesia; and
- 2019 - construction operations in the Philippines.

These countries were chosen based on a risk assessment which includes: the size of each country's workforce as a portion of the overall overseas workforce, the size of the Group's business in each country, each country's ranking in the Global Slavery Index[64] and an internal assessment of potential risk when reviewed against the HRCA Quick Check.

With more than 13,895 direct employees in India, Indonesia and the Philippines as at 31 December 2019, these HRIAs represent more than 39% of the Group's direct workforce or, based on 2019 activity, approximately 10% of annual revenue that has been assessed in the last 3 years.

The HRIAs aimed to develop greater awareness around human rights and modern slavery, and to assess the risk to our operations on a range of areas relating to human rights and modern slavery. These areas included: engagement of employees; 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.

Since the HRIAs have been undertaken, remedial action plans have been put in place and all outstanding matters have been addressed in India and Indonesia. In the Philippines, the main areas of non-compliance, or where further attention is required, include: use of overtime, provision of appropriate accommodation facilities, ensuring all safety practices are observed, provision of sanitation and welfare facilities, and promoting opportunities for employee grievances to be voiced. The outstanding issues in the Philippines are currently being addressed.

Pleasingly, the HRIAs have also identified a number of areas where the Group 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.

CIMIC has an established process for any human rights grievances to be reported via the Group's Ethics Line as outlined on page 80.

CIMIC is preparing to comply with the new Modern Slavery reporting framework introduced by the Australian Federal Government. Group wide Modern Slavery committees have been established to respond and have taken action across these key areas:
- governance – updating related policies including the Code, Dealing with Third Parties and Procurement;
- risk management – implemented internationally recognised due diligence solution to assess supplier risks including risk of Modern Slavery;
- supplier procurement – includes updating supplier standard contract terms and reviewing onboarding processes for new suppliers;
- assurance – includes the HRIAs already undertaken, and development of a self-assessment tool for Operating Companies which will be piloted later this year with Thiess and Mongolia;
- grievance process – embedded through Whistleblower Policy and the Ethics Line;
- capability and training – includes providing workshops for leaders and those in high risk roles involved in procurement, and development of an online, 10 minute awareness modules which will be supplemented in 2020 with focused supplier education and utilisation of the resources accessible through membership of the Supply Chain Sustainability School;
- communication – program underway to build employee awareness using Intranet resource page and Pulse articles; intention to broaden to external stakeholder communication and publication of statement via CIMIC website; and
- leadership – accountable for leadership of the program and actively driving communication.

CIMIC notes that, while undertaking the design and construction of correctional facilities, the Group does not operate or provide custodial or corrective services for those facilities, nor for immigration detention centres.

---

[64] Global Slavery Index.

Freedom from harassment

Our Code enshrines our commitment to not tolerating 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 supported by our Diversity and Social Inclusion Policy, the Anti-Bullying, Harassment and Discrimination Policy, and our Workplace Behaviour Policy.

In 2019, CIMIC issued its Family and Domestic Violence Policy. The objectives of this Policy and our commitment is to:

- recognise that family and domestic violence is a serious, identifiable and preventable health and safety issue that impacts peoples' health and wellbeing; and
- play an active role in supporting the impact of family and domestic violence amongst our employees and their families, by providing awareness, assistance and support.

Rocky's Reward takes a stand against domestic violence

Thiess' team at the Rocky's Reward open-pit nickel mine, 400km north of Kalgoorlie in Western Australia, have partnered with the local community health partners in the town of Leonora to support victims of domestic violence. The team undertook fundraising activities on site as part of White Ribbon Day and donated the proceeds to the local Leonora community. The money raised was used to create personal care packages that were then distributed throughout the year to local families impacted by domestic violence. The personal care packages contain basic items to maintain health and hygiene including hairbrushes, towels, toothpaste, soap and other necessities for a family.

We have supported the White Ribbon movement and the United Nations International Day for the Elimination of Violence against Women, encouraging our people to gain a greater understanding of the impact of violence against women.

Learning how to recognise and respond to family and domestic violence

To ensure our people are supported, we are preparing leaders by building their knowledge and skills to recognise the signs and understand the complexities of family and domestic violence, know how to respond to disclosures in the workplace, and appropriately refer employees for support. In 2019, CIMIC Group provided training to 107 leaders on how to recognise family and domestic violence, how to appropriately respond and how to refer to support available.

Training was delivered by Australia's CEO Challenge (ACEOC). ACEOC is a not-for-profit organisation with over 17 years' experience in designing and delivering customised training to support those experiencing family and domestic violence. Additionally, online training has been be made available for any interested employees on our new learning management system, One Learning – which is being progressively introduced at our Operating Companies.

Freedom of association and collective bargaining

As per the Human Rights sub-chapter (page 90), CIMIC is committed to abiding by the UN Global Compact and upholding the rights of employees to the freedom of association and the effective recognition of the right to collective bargaining. We undertake to fairly, consultatively and constructively engage with workers, union representatives and regulators.

Responsibility for managing workplace relations is delegated to our Operating Companies, reflecting the diverse nature of their market focused businesses. Managing employee relations in this way helps to ensure that any industrial relations matters that arise on a project - be they construction, mining or operations and maintenance - can be quickly identified and resolved in the field by our dedicated teams in a way that is appropriate for those projects and industries.

Of the Group's Australian employees, approximately 53.4% are covered by collective bargaining agreements; 25.5% at CPB Contractors, 71.4% at Thiess, 22.5% at Sedgman and 67.0% at UGL. CIMIC complies with all of the industrial relations laws and obligations of the jurisdictions in which our Companies operate.

Under Australian law, employers are not able to ask employees directly if they are a member of a trade union. However, all workers across the CIMIC Group are entitled to be a union member. Union membership is open to both staff and wages employees. Similarly, we do not track trade union membership within our international operations.

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.

TRAIN AND DEVELOP PEOPLE

At CIMIC, we invest in the training and development of our people so that we can maintain our position as a leader in the industries in which we operate. We identify skill gaps, train and develop our people, and share knowledge across the Company. By doing so, we improve employee attraction, retention and engagement, all of which ensures that we have the skills to execute on our strategy.

Connecting with youth

Leighton Asia is committed to nurturing young talent, seeking opportunities to encourage young people to see a future for themselves in the construction industry. From job tasting to mentoring programs, teams from across Leighton Asia have participated in a variety of initiatives to inspire and provide support to young talent to better plan their careers and promote job interest in the construction industry.

In July 2019, Leighton Asia delivered a two-day job tasting program for participants from three secondary schools in Hong Kong, as part of the Hong Kong Government's 'Life Buddies' Mentoring Scheme. The customised program introduced the essence of the construction industry, including a real-life opportunity to experience the industry work environment, providing students with a deeper understanding of their possible future careers. Selected subject matter experts from Leighton Asia also shared their career advice, work experiences and job interview skills with students. In addition, Leighton Asia has also designed and conducted various career-focused mentoring activities for participating students.

Investing in training

CIMIC values its employees and seeks to support their ongoing learning and development journey. We invest in a range of different types of training - including skills-based, vocational and technical - to support their personal development and the Group's ability to deliver its projects.

One Learning: a new way to learn

CIMIC has introduced a new system, One Learning, to deliver an improved online learning experience across the Group. One Learning is a 'one stop shop' for online training, replacing other learning management systems that have been in use. It enables a flexible approach to learning with improved functionality, usability and onboarding experience accessible via the internet. A phased rollout of One Learning is underway, with Australian salaried employees migrating to the new system progressively.

Initially, the system is being used to complete mandatory compliance training e.g. Code of Conduct, Equal Employment Opportunity, and IT Security. The functionality will be progressively expanded to include other learning activities throughout 2020. People receive an email notification when training is due and a link in the email directs them to One Learning to complete their learning activity which logs and collates their results.

CIMIC has developed a Group-wide 'Capability Framework' based on the core capabilities that are a priority for our business. This Framework is designed to deliver consistent training across the Group. Each Operating Company conducts regular skills-based training and programs, designed to support each businesses market specific requirements, and includes technical and vocational training, as well as dedicated health and safety programs.

In 2019, we delivered 825,220 hours of training across the Group (versus 810,015 in 2018), which equates to more than 23.3 hours per annum for each direct employee. The average amount spent per FTE[65] on training and development was $360k (up from $337k in 2018). Group training courses included:

- Program One leadership training;
- equal opportunity, anti-bullying, harassment and discrimination;
- recognising and responding to family and domestic violence;
- unconscious bias;
- modern slavery awareness;
- whistleblower;
- technical training;
- foundation topics (for Graduates) which included applied technical and engineering training across a range of disciplines;
- contract management; and
- online financial management (EIS[66]) training modules.

[65] Full-time equivalent.

[66] 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.

Komatsu training academy partners with Thiess

Thiess has entered into a national apprenticeship training contract with the Komatsu Training Academy (KTA) in Brisbane, Queensland. The KTA is a nationally registered training organisation that provides technical, operator and management courses for Komatsu customers, and is one of the region's most advanced technical training facilities for mining, earthmoving and utility equipment.

The KTA is offering three sets of qualifications, which have been customised, as part of a targeted training package specifically developed for Thiess apprentices. The qualifications being provided to Thiess are AUR30316 Certificate III in Automotive - Electrical Technology, MEM30205 Certificate III in Engineering - Mechanical Trade, and MEM30305 Certificate III in Engineering - Fabrication Trade.

The KTA focuses on the needs of our clients and examples of its training include up-skilling for production improvements, improved fuel efficiency, reduced wear and tear, lower operating costs, better preventive maintenance, and greater safety. This partnership brings together two organisations passionate about delivering quality training and achieving quality outcomes.

Invest in future leaders

CIMIC is actively investing to create its own future leaders by recruiting graduates and further developing their skills. We have created, and continue to expand, our Group-wide, two-year Graduate Program during which graduates participate in structured development days providing in-depth information on key areas of the business. We are proud of this program which provides graduates with exposure to a global organisation across multiple industries and sets them on an exciting career path.

The 2019 graduate intake commenced in February, with an induction held in Sydney. This year, 225 graduates (up from 208 in 2018), 141 males and 84 females, commenced with CPB Contractors, Leighton Asia, Broad, Thiess, Sedgman, UGL and EIC Activities, with opportunity for exposure to Pacific Partnerships and CIMIC.

Annual intake to the Graduate Program (#)	Female	Male	Total
2019	84	141	225
2018	51	157	208
2017	38	136	174

The program mirrors the Group's operations and currently involves graduates from Australia, New Zealand, Indonesia, Hong Kong, Chile, Canada, Botswana, Mongolia. We will continue to expand the program to include the rest of the countries in which we operate over time.

Total graduates, trainees and apprentices employed at end of 2019 (#)	Female	Male
Graduates	124	268
Trainees and apprentices	169	544

The Operating Companies also offer a range of apprenticeship and traineeships. The Thiess Apprenticeship Program is a national program, recognised Australia wide for delivering consistent, high-quality on-the-job and off-the-job training. Certificate III qualification outcomes are promoted in: Engineering - Mechanical Trade (diesel fitter); Automotive Electrical Technology; Engineering - Fabrication Trade (boilermaking/welding); and Electrotechnology Electrician (high voltage systems).

CPB Contractors offers a Vacation Program for undergraduates that provides real, on-the-job experience, within a structured environment. The program is available across a range of disciplines, including: engineering (civil, mechanical, electrical & geotechnical); construction management; environment; surveying; health & safety; legal, finance & accounting; and human resources.

Developing our frontline leaders in Mongolia

Thiess' Learning & Development team showcased CIMIC's 'One Frontline Leadership' training program in Mongolia in February 2019, sharing important skills, knowledge and insights with more than 30 current and emerging leaders. The interactive program was delivered twice – once in English and once in Mongolian. Specifically designed for frontline leaders, it includes critical skills and knowledge about effective communication, behavioural styles, delegation of tasks, how to give and receive feedback, decision-making and guiding their teams through various stages of development.

CIMIC also engages with schools and universities on programs that aim to develop skills and equip our workforce for the future. Some of the development programs that CIMIC promotes include:

- regularly cooperating with schools and universities through the provision of scholarships, delivering student presentations and technical lectures, and providing career support and mentoring;
- participating in university career fairs during 2019 including at: 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;
- participation in the WiSE (Women in Science and Engineering) Program with the University of Western Sydney in a mentoring capacity offering advice, information and networking opportunities for students;

- utilising the 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.

Attracting top talent
To build relationships with schools, students, and teachers – staff from EIC Activities attended the Explore Careers Fair in Melbourne and Sydney. Explore Careers is Australia's #1 Careers and Employment program that is supported by 100 of Australia's leading organisation, including CIMIC Group. Staff from EIC Activities spoke with students and career advisors about career pathways in CIMIC Group, encouraging students to explore Science Technology Engineering and Maths (STEM) subjects. On the day, the team established virtual and augmented reality displays demonstrating engineering in an interactive way.

Some of the university programs for vacation students and interns that CIMIC and its Operating Companies supported during the year included: the University of Queensland Mining and Metallurgy Association Student Society; the Australasian Institute of Mining and Metallurgy (AusIMM) New Leaders Conference in Perth; the AusIMM Student Chapter of the University of Western Australia; and the AusIMM Student Chapter Illawarra.

We also collaborate with universities where the following research services agreements are in place:
- University of Sydney – 'optimising solar panel foundation systems';
- University of Technology Sydney – 'developing innovative design and performance procedures for stabilising landfills bearing long term infrastructure loads: with special reference to Moorebank intermodal rail link'; and
- University of Western Sydney – 'alkaline-activated treatment of residual Bringelly shale'.

Thiess continued to offer scholarship opportunities to university students in Australia 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 working environment. In 2019, 60 vacation students were provided with an opportunity to work on site and to experience living in remote locations, while building relationships and network with industry contacts early in their career, and they also receive the opportunity to be fast-tracked into CIMIC's Graduate Program.

Nurturing the next generation of young talent
Leighton Asia's operation in Hong Kong has been recognised by the Hong Kong Government, receiving a Bronze Award for 'Contractor Hiring the Most Number for Construction Industry Council (CIC) Graduates.' Leighton Asia was also commended as a 'Contractor Actively Participating in Cooperative Training Schemes.'

CIMIC engage with students through school-based traineeships in local communities; hosting urban and remote schools as part of career programs. We partner with Explore Careers, Australia's leading careers and employment program, which is designed to bring school students and their future employers together. Partnering provides an opportunity for CIMIC to promote the Group to secondary school students and provide employment pathways for them.

Happy campers
In 2019, the University of New South Wales held a Women in Engineering Camp for enthusiastic high school students interested in exciting and rewarding careers in STEM. CIMIC Group sponsored the event's networking night where 100 students mingled with academics, peer students, and industry guests – including 15 engineers from CPB Contractors and UGL.

The students also tuned-in to hear from CPB Contractors' Project Manager, Kirsten Evans, on her successful career journey in STEM. Kirsten talked about her path to becoming a Project Manager and the responsibilities in her current role on the Sydney Metro Northwest Project. She also talked about what it is like to be a woman in construction and the exciting opportunities that come with working for the country's largest construction company.

Earlier that day, 50 students visited the Sydney Metro Northwest project site where UGL Commissioning Coordination Manager, Michelle Ho, showed the students the Operational Control Centre from which the new driverless metro trains, and various rail systems can be controlled and monitored. The students also visited the new Tallawong station. Michelle shared with the students that her father had encouraged her to be an engineer and that she had been supported by leaders in the field throughout her career with opportunities to learn and grow.

Victorian mentoring program launched
More than 100 employees from CPB Contractors' team in Victoria are participating in a new mentoring program and discussion groups over the next 12 months, with the aim of developing their skills and building professional networks. The new program aligns with CPB Contractors' 'People First' strategy and forms part of the broader CIMIC Group strategy to support employees, develop their skills and build their careers.

Senior leaders from across CPB Contractors have been paired with mentees, who will continue to meet regularly to discuss goal setting, relationship building, communication and problem solving. The program was launched in response to employee feedback asking for more mentoring, career development and job opportunities. Mentoring is now a necessary business tool. It used to be that employees would organically build their own networks, but now more formal processes are being established. In the coming year, the new program will leverage existing groups within the business with participants drawn from a wide range of business disciplines and locations.

Recruit internally

CIMIC's Recruitment Policy preferences the recruitment of internal candidates prior to undertaking any external recruitment. We will generally advertise internally first, on the basis that we believe we have an obligation to develop opportunities for our own people before looking at external recruitment. By favouring internal recruitment, we hope to encourage loyalty and by reducing turnover we can reduce recruitment, training and the other cost that apply when recruiting externally.

Of all of the jobs offered by the Group in 2019, 2,092 were filled by internal candidates (versus 1,476 in 2018), a 41.7% year-on-year increase.

Promoting locally in Indonesia
Thiess is pleased to have made the first local appointment to the top role in its Indonesian business. Jeffrey Kounang's openness to new experiences and commitment to strategic growth have shored up his credentials as Thiess' new President Director of Indonesia. Born and raised in Jakarta, and with more than 20 years with Thiess, Jeffrey oversees all of the Indonesian mining operations, with some 7,500 employees and production levels in excess of 250 million bank cubic metres per year.

Since joining Thiess in 1998, Jeffrey has aspired to bring practicality, quality, sustainability and innovation to Indonesian mining operations. His appointment reflects Thiess' commitment to developing local leaders and upskilling its workforce.

We encourage merit-based section criteria where selection is based on competency, experience and qualifications, and assessed against bona fide and defined job requirements. All employment processes and decisions should be free from any bias and discrimination, and in line with our Code and other policies and procedures.

CIMIC launched a Group-wide CIMIC 'Jobs Board' in 2017 where employees can search for job opportunities across 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 email when a position becomes available that matches their search criteria. The Jobs Board is promoted through Pulse and each Operating Company's intranet.

The Group recruited or onboarded 16,245 new hires in 2019 versus 19,685 in 2018.

The bespoke nature of many of the Group's projects – particularly in construction – means that many workers are taken on for relatively short-term periods. Construction projects utilise employees with specialist skills that are recruited for defined roles, and therefore fixed periods of time, on a project. These skills encompass trades such as excavator and crane operators, scaffolders, surveyors, shotcreters, electricians, glaziers, plumbers and more.

Our workforce is predominantly composed of permanently employed full time and fixed term employees. This structure reflects the bespoke project nature of much of the Group's work. It should also be noted that reliance on 'trades' to deliver many of the Group's projects has historically skewed employment towards men rather than women. Despite the historic skew, which is evident in the table below, the Group is committed to greater female participation and diversity.

Workforce composition (%)	Female	Male
Permanent full time	10.0	77.4
Permanent part time	0.6	0.2
Fixed term	0.8	2.6
Casual	0.8	7.7

The relatively short-term nature of projects can result in relatively high turnover rates for traditionally 'blue-collar' type work where trades move from employer to employer and project to project. It makes comparisons of turnover rates across the Group's entire workforce somewhat irrelevant when compared to many other industries that are not project based. CIMIC believes that a more appropriate turnover rate to use should reflect the departures of 'white-collar' employees (or staff) who are encouraged to build long-term careers with the Group.

Turnover rates (%) [67]	2019	2018
Overall - voluntary and involuntary staff and wages	48.9	51.3
Voluntary - staff and wages	12.3	12.0
Voluntary - male staff	11.9	13.1
Voluntary - female staff	3.8	4.2

The turnover rate, across most of the Group's entities, has remained static or declined markedly since 2016.

The relatively short duration of many of the Group's projects also manifests itself in the length of service - or tenure - of employees. The average length of service of our employees is 3.9 years (an increase versus 3.4 years in 2017 and 2018) with men having an annual tenure of 3.9 years and women of 4.0 years.

The Group has a large cohort of experienced and long serving employees, many with management experience, which includes key operational roles such as project managers, foremen and site superintendents. This depth of experience is reflected in the table below.

Length of service with the Group in years (% of workforce)	Female	Male
Less than 1 year	3.6	28.8
Greater than or equal to 1 year and less than 3 years	3.9	29.5
Greater than or equal to 3 years and less than 5 years	1.4	8.0
Greater than or equal to 5 years and less than 10 years	2.0	12.2
Greater than or equal to 10 years and less than 15 years	0.8	5.8
Greater than or equal to 15 years	0.4	3.6

In 2019, we again undertook talent reviews and succession planning for critical roles across all Operating Companies. The outcomes of these reviews will be used for development planning in 2020.

ENCOURAGE DIVERSITY

CIMIC understands that diversity of thought, experience and skills makes businesses stronger – and we are no exception. Inclusive and respectful workplaces enable everyone to contribute their best and develop through a rewarding career. Diversity - of employees and teams - helps to promote innovation, performance and productivity. We also believe that our workforces should be inclusive and reflect the diverse communities in which we work.

Thiess launch LGBTIQA+ support network

Thiess is driving its diversity and inclusion vision of 'everyone matters always' with the launch of Allies, its first LGBTIQA+ Australian support network. Allies aims to connect employees who identify as part of the LGBTIQA+ community and is open to anyone at Thiess who wishes to support their colleagues and learn more about the community.

The Allies workplace network advocates and facilitates a culture of inclusion and respect, regardless of sex, sexuality, gender and expression. As part of Thiess' commitment to an inclusive workplace, Allies aims to create awareness through these four objectives:

- Ensure LGBTIQA+ employees feel safe and supported;
- Foster an inclusive culture where everyone, including non-LGBTIQA+ employees, can be involved to show their support and learn more;
- Drive awareness through education, empowering employees with the knowledge and confidence to challenge bias, speak up against stereotypes and reject intolerance; and
- Demonstrate Thiess as an inclusive workplace by showing support for key initiatives within the LGBTIQA+ community.

Thiess celebrated the launch of Allies across its Australian projects, offices and workshops in September 2019, sharing an engaging video that highlighted some of its employees' personal journeys and encouraged supporters to become an ally.

CIMIC's Diversity & Social Inclusion Policy includes the following strategic priorities:

- Gender Equality: Promote equal opportunity for women in the CIMIC Group including remuneration, attraction, retention and promotion;
- Indigenous Participation: Value and recognise Indigenous nations, peoples and cultures and to create an equitable opportunity for participation in employment and business supply chain;
- National Inclusion: Invest in local employment, leadership development and succession planning to ensure the future of work is reflective of the country in which we operate;
- Inclusive workplace culture: Embed and progress a socially inclusive workplace through the elimination of discrimination, bias, harassment and violence in the workplace; and
- Accountable Leadership: Lead and advocate for a diverse and inclusive culture with a focus on leadership to set expectations, drive and be accountable for progress.

[67] Percentages are based on total departures for the year divided by the average headcounts.

Female participation and gender equity

We are actively promoting and seeking to improve, female participation in the workplace and achieving gender equality, including pay equity. A key objective of the CIMIC Group is to increase the number of females employed and women in leadership at all levels of the business and we are gradually making inroads towards this goal.

Diversity indicators (%)[68]	**2019**	**2018**
Female share of total workforce	12.2	10.3
Females in senior management positions (as % of total management workforce)	13.9	12.2
Females in management positions (as % of total management workforce)	15.1	12.8
Females in junior management positions (as % of total junior management positions)	15.5	13.0
Females in top management positions (as % of total top management positions)[69]	13.8	11.8
Females in management positions in revenue-generating functions (as a % of all such managers)	8.3	5.8

CIMIC's Diversity & Inclusion Executive Council[70] provides leadership to the Group on fostering a diverse and inclusive culture. The Council has supported initiatives including:

- supporting and endorsing the CIMIC Group 2020 Diversity & Social Inclusion strategy;
- focusing on understanding the issues faced by women in operational/project-based roles, and addressing opportunities and barriers to attraction and retention raised;
- focusing on gaining an understanding of cultural differences when mobilising and operating globally; and
- seeking continual improvement of workforce reporting to track diversity participation.

Celebrating International Women's Day

In March 2019, teams from across CPB Contractors marked International Women's Day, which celebrates the social, economic, cultural and political achievements of women. The day also prompts a call to action for men and women to accelerate the progress of gender equality.

By creating a more diverse and inclusive workplace, CPB Contractors expects to tap into greater diversity of thought and experience that will ultimately deliver better business outcomes. CPB Contractors is committed to delivering on its goal of significantly increasing the number of women in our business and by 2020 want women to make up 30 per cent of its workforce. To assist in achieving this goal, CPB Contractors has revised its hiring practices to encourage more females through the application and selection process.

Other initiatives include conducting regular Gender Equity Reviews to achieve and maintain equality, implementing a training and mentoring program to support and encourage women to advance to more senior roles, and conducting important training such as Equal Employment Opportunity and Unconscious Bias to progress the company's culture.

CIMIC understands that large parts of the industries in which we work have not been seen to be providing attractive career options for women. While relatively small numbers of women have historically entered the engineering trades and profession, we are pleased that this is changing. It is for this reason that CPB Contractors is a member of the National Association of Women in Construction which is an advocate for positive change for women in the construction industry and strives for an equitable construction industry where women fully participate

CIMIC is deliberately working to encourage greater female participation via recruitment into our Graduate Program. For the 2019 graduate cohort, the female participation rate was ~37%, which is well above the average participation rate of the construction industry of ~12.1% and the mining industry at ~15.9%[71].

Another key focus of female participation is retention. CIMIC understands that, once we have attracted women to the Group, we need to make sure that - where possible - we retain them. This also involves preparing professional development plans so that we can build a career for these women.

[68] As per disclosure requirements of DJSI.
[69] Executives and General Managers.
[70] The Council is chaired by the CEO and its members include the CFO, the Chief HR Officer and all Operating Company Managing Directors.
[71] Australian Bureau of Statistics; 4125.0 - Gender Indicators, Australia, Nov 2019.

Indonesia's Green Operator Training program sees more women join the ranks
Thiess' team in Indonesia is embedding diversity and inclusion in the workplace by delivering training programs and initiatives to help more women enter the mining industry. In August 2019, sixteen women from local communities in Indonesia's Kutai Barat region graduated from the Thiess Women's Green Operator Training program. With no prior mining experience, the women spent the previous four months completing intensive training including classroom and in-field sessions. The modules covered the safety and technical aspects of the role as well as hands-on training completing onsite circuits using the equipment they will operate, with their trainers.

The Women's Green Operator Training program is one of several initiatives at Thiess promoting and increasing equal employment opportunities across the business. This is the third group of new female haul truck operators to complete the program this year bringing the total in 2019 to 44 graduates. The graduates are now Thiess employees and behind the steering wheels of CAT 777 haul trucks, applying their newly found trade skills. In addition to providing valuable skills and development opportunities, these roles allow women to support their families and to give back to their local communities.

CIMIC and each of its Operating Companies have an annual reporting obligation to provide certain gender related information to the Australian Government's Workplace Gender Equality Agency (WGEA)[72]. These comprehensive submissions provide a substantial amount of gender related data, segmented by occupational types, graduates and apprentices, full-time and part-time, and parental leave accessed. They also include details of and policies for: employer action on pay equity; gender equality strategies and consultation; flexible working arrangements; support for carers and paid parental leave; sex-based harassment; and family and domestic violence.

The 2018/19 WGEA submissions[73] show that, for the larger contracting entities of CPB Contractors, Thiess, Sedgman and UGL, which have substantial employee numbers, females accounted for between 11.4% and 20.7% of management positions and 10.7% and 22.5% of non-management positions.

Female participation (as a % of each management WGEA category in the Group larger Operating Company's)	**2018/19**	**2017/18**
All managers	13.9	13.2
- CEO and Key Management Personnel	8.0	10.1
- General Mangers/other executives	6.9	9.7
- Senior managers	17.5	16.3
- Other managers	13.9	12.8
All non-managers	16.1	15.3

While relatively low by the standards of many other industries, these results do reflect the traditionally male dominated nature of the construction and mining industries. The WGEA submissions are demonstrating gradual improvements in female participation across the Group's Operating Companies, including in leadership positions. Importantly, the Group is focused on ensuring that the increased participation rates are broadly based - including in trade, engineering and leadership roles - and not limited to administrative and professional service roles.

CIMIC is committed to making sure our male and female employees receive equal pay, and we are working to close any pay gaps. In 2019, CIMIC's Operating Companies used an in-house developed gender pay equity tool to again review gender pay equity issues at any point in time. The Companies were specifically encouraged to apply the tool prior to the annual remuneration review and with respect to bonus proposals, and then as a follow up to review any issues and to ensure that any gaps were being addressed.

We continue to focus on gender pay equity as a part of everyday decision making, rather than as part of an ad hoc special review. This focus is particularly targeted at hire, on promotion or job change, and as part of the annual remuneration review. We have continued to reduce the gender pay gap across the Group, particularly in some specifically male dominated job families; for example, in our Engineering job family.

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.

Parental leave taken in 2018/19 (as reported to WGEA)	**Female**	**Male**
Managers taking primary or secondary carer's leave	14	46
Non-managers taking primary or secondary carer's leave	125	186
Total taking primary or secondary carers leave	**139**	**232**

In other countries, paid parental leave is provided in accordance with current local legislation.

[72] www.wgea.gov.au/report/public-reports.
[73] Based on the aggregated Public Reports for 2018/19 by CIMIC's Australian based Operating Companies to the WGEA. The reporting period is 12 months, from 1 April to 31 March.

Indigenous employment

CIMIC values and recognises Indigenous nations, peoples and cultures and seeks to create equitable employment opportunities. We offer a range of employment, training and enterprise opportunities for Australian Indigenous people including internship opportunities for university students through our partnership with CareerTrackers.

CareerTrackers creating Indigenous professionals

CIMIC Group's partnership with CareerTrackers is creating opportunities for Indigenous university students to work at the forefront of our industries and to make a valuable contribution to our operations, projects and company culture. Created in 2009, CareerTrackers is a national non-profit with the goal of creating pathways and support systems for Indigenous young adults to attend and graduate from university, with high marks, industry experience and bright professional futures.

Since 2009, hundreds of CareerTrackers participants have graduated from university and every member of their Alumni community is employed in a professional role. By 2020, that Alumni community is expected to be made up of 1,073 highly educated Indigenous professionals. The success of the program has been recognised by employers, governments and, most importantly, Indigenous communities throughout Australia. CareerTrackers students complete university at higher rates than their non-Indigenous peers, and 95% of Alumni are in full-time employment in their field within three months of graduation.

CareerTrackers established its first 10-year corporate partnership with CPB Contractors in 2010 and, since then, the program has been expanded to include Thiess, Sedgman, UGL, EIC Activities, Pacific Partnerships and CIMIC.

In 2019, the Group directly employed 429 Indigenous people in its Australian workforce. A range of initiatives are being pursued to improve Indigenous employment and participation in the workforce.

Indigenous students gain valuable experience at Nepean Hospital project

At the Nepean Hospital Redevelopment project in Western Sydney, CPB Contractors is providing five Indigenous Australian high school students valuable work experience as part of a two-year traineeship. The project involves the construction of a new 14-storey clinical building of over 55,000m2 that will include a new emergency department, more than 200 overnight beds and more than 12 new operating theatres.

CPB Contractors is partnering with Aboriginal learning organisation Diz Footprints, helping students work towards a Certificate II in Construction Pathways. The students spend one day a week on site and one day with a TAFE college while completing their High School Certificate course. The qualification provides a pathway to the primary trades in the construction industry.

To date, the students have learnt about multiple trades including landscaping, painting, cleaning and general labouring. In their second year, the students will be working with experienced tradespeople in formwork, concreting and carpentry. The program was established following extensive consultation with the NSW Department of Education, NSW Department of Industry, the local NSW Aboriginal Education Consultative Group and the Nepean Aboriginal Health Service, and forms part of CPB Contractors' Reconciliation Action Plan commitment to boost Indigenous training and employment.

Driving greater diversity

UGL and Aboriginal-owned ARRA Group are working together providing skilled people to join the team delivering the Chevron contract in Western Australia. UGL is committed to establishing relationships with Aboriginal and Torres Strat Islander-owned businesses and monitors those activities through its Reconciliation Action Plan.

The ARRA Group and UGL have been working together since 2018. The goal is to attract more Aboriginal and Torres Strait Islander employees to the Chevron contract. As each employee joins the team, they are assigned a mentor, ensuring a smooth transition smoothly into their new role and the project. The UGL team provides mechanical, electrical and instrumentation-based maintenance, plant turnaround and brownfield execution services for Chevron's Western Australian assets.

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. Numerous initiatives are undertaken across the Operating Companies to foster cultural sensitivity and understanding.

Celebration of NAIDOC week

Across the Group, teams came together to celebrate NAIDOC week. NAIDOC originally stood for 'National Aborigines and Islanders Day Observance Committee.' This committee was once responsible for organising national activities during NAIDOC Week and its acronym has since become the name of the week itself.

In Brisbane, teams from Thiess, Sedgman and CIMIC gathered together, focusing on the themes of *Voice, Treaty and Truth*, and were encouraged to take a personal lead in Australia's reconciliation journey. At the celebration, representatives from Leading with Strength – a proudly Indigenous organisation that delivers professional learning programs across Australia – shared some of the history and achievements of our Aboriginal and Torres Strait Islander community.

In Newcastle, UGL's Operations team celebrated with Ashley Gordon, a former rugby league player for the Newcastle Knights and Penrith Panthers, and a proud Indigenous Australian. The team were given an insight into Aboriginal history, why reconciliation is important, and how we can all move forward as a nation.

In Sydney, teams from EIC Activities, Pacific Partnerships and CIMIC watched a didgeridoo (yidaki) performance and heard from Bruce Shillingsworth Jnr, a proud descendant of the Muruwarri tribe, and heard from special guest speaker Margaret 'Missy' Nicholls. Missy, a descendant of the Wayilwan Ngyiambaa tribe and Brewarrina Central School's Executive Assistant Principal, spoke about her commitment to improving educational results for Aboriginal students within her school.

From little things big things grow

Thiess has proudly launched a national partnership with the Clontarf Foundation as part of its Australia-wide CARE Program for social investment. The Clontarf Foundation is a not-for-profit organisation that seeks to improve the education, discipline, life skills, self-esteem, and employment prospects of young Aboriginal and Torres Strait Islander men. The program is aimed at males in high school from Years 7 to 12, with a mentoring program that continues one to two years post Year 12.

Thiess will work with the Clontarf Foundation providing work experience, traineeships, mentoring and coaching opportunities for the young men. The partnership was launched at a special event at Thiess' Component Rebuild Centre in Brisbane, where young men from the Foundation enjoyed a tour, learned about career pathways available in mining and spent time with the Thiess team.

Clontarf academies are formed in partnership with selected schools and their success is based on the full-time nature of the program and the strength of the relationships between its staff and each Clontarf student. The program currently supports more than 8,000 young Aboriginal and Torres Strait Islander men who are actively involved in mostly secondary education at Clontarf academies and their partnering schools in Western Australia, the Northern Territory, Victoria, New South Wales, Queensland and soon to be South Australia.

The Clontarf Foundation consistently achieves positive results with a year-to-year apparent retention rate of 90 per cent and above, school attendance rates averaging 80 per cent, and 80 per cent of Year 12 leavers remaining in employment or further study/ training 12 months after finishing school.

Each of Thiess, UGL and CPB Contractors has Reconciliation Action Plans (RAP) in place that formalise their support for Aboriginal and Torres Strait Islander people.

UGL releases new Reconciliation Action Plan

In September 2019, Mackay in Queensland played host to the launch of UGL's next RAP. This is UGL's second Innovate RAP and its third overall RAP. UGL selected Mackay as the perfect launch location due to its proximity to UGL's customers and suppliers across the wide range of sectors UGL operates in, including energy, resources, mining, water, transport and technology.

An example of a UGL RAP initiative is the creation of an Aboriginal and Torres Strait Islander Traineeship & Apprenticeship program on the Sydney Metro Northwest project. UGL is working with 10 Aboriginal and Torres Strait Islander youths as part of a commitment to tackling long-term unemployment. UGL's partner on the initiative, Infraworks, provides Certificate III Rail Infrastructure traineeships, pastoral care, and work readiness training to encourage the candidates to gain sustainable employment opportunities.

Thiess' first RAP was introduced in 2013 while CPB Contractors launched their first RAP in June 2019. The RAPs, which are tailored to the specifics needs of each Operating Company, includes a range of actions, some specific deliverables and targets, timelines for implementation and identify the people responsible for delivery. Each of the RAPs has received an endorsement from Reconciliation Australia, the national expert body on reconciliation.

Local employment

With a long history of working in a number of countries, CIMIC appreciates the value of investing in and developing a local workforce. We understand the benefit of exporting skills and innovation to overseas markets, but equally we realise that we can only be successful by building a local workforce which we have done in numerous locations. By doing so, we help the economic development of those countries and to create well-paid job opportunities for the benefit of our local employees and their families.

Thiess changing the face of mining in Mongolia
In Mongolia, Thiess is behind the first wave of women legally allowed to work as underground operators. As part of their commitment to gender equality, Thiess' Mongolia team has been working with local women from South Gobi to upskill and promote opportunities, and to encourage a better gender balance.

In 2019, Thiess employed three women after putting them through extensive role and safety training. All three women are now qualified to operate equipment and undertake daily operator duties. Thiess continues to support the diversity and inclusion strategy of the Oyu Tolgoi C2S (conveyor-to-surface) Project by aiming to recruit more female operators and training them to the highest possible standards.

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)	2019	2018
Group	94	94

The Group's has a Diversity & Social Inclusion Policy which promotes – amongst other things – investment in local employment, leadership development and succession planning to ensure the future of work is reflective of the country in which we operate, and valuing and recognising Indigenous nations, peoples and cultures and to create equitable opportunity for participation in employment and business supply chains.

Inclusive workplaces

It is our objective to cultivate inclusive workplaces, where fairness and equity are embedded, and which foster the unique skills and talent of our people. We want to embed and progress socially inclusive workplaces through the elimination of discrimination, bias, harassment and violence in the workplace. We respect - and will not discriminate on the basis of - individual differences such as race, gender, sexual preference, marital status, age, religion, colour, national extraction, social origin, political opinion, disability, family or carer responsibilities, or pregnancy.

Online learning now catering to those with disabilities
CIMIC has launched Group-wide online EEO and whistle-blower training modules which have been developed using the Web Content Accessibility Guidelines (WCAG) to AA standard. These WCAG standards have been developed with a goal of providing a single shared standard to make web content more accessible to a wider range of people with disabilities and more usable in general. Any future online learning being deployed by the Group will be consistent with these WCAG standards.

Celebrating the differences people bring to an organisation is key to building diverse and inclusive work environments. Retaining a broad mix of people also enriches our companies and fosters greater creativity, performance and business growth.

CPB Contractors an establishing partner of the 'Out for Good' program
This program helps young people who have been in prison to gain meaningful employment and get their lives back on track. CPB Contractors believes that giving young people the opportunity to turn their lives around is an excellent way to make a lasting and positive contribution to the community.

The program is a partnership between firms, including CPB Contractors, Jesuit Social Services, GOAL Indigenous Services and the YMCA Bridge Project. Under the partnership, CPB Contractors provides entry level jobs for young people. It gives them the opportunity to develop their workplace skills, gain valuable experience in the construction industry and get their lives back on track.

Retaining the experience of our mature age workers is an important element in mitigating risk. We seek to leverage this experience and work actively to ensure that our younger workers can learn from what others might have already done on earlier projects.

Age distribution of the Group's workforce (%) - staff only	Female	Male
<30	5.4	11.2
30-40	9.0	26.0
41-50	5.4	22.0
51-60	2.8	13.5
>60	0.6	4.0

Helping people make clearer decisions

With operations spanning Hong Kong, Singapore, the Philippines, Indonesia, Malaysia, India and Dubai, Leighton Asia has delivered various events to cultivate a more diverse and inclusive workplace. As part of CIMIC Group's Diversity and Inclusion strategy, Leighton Asia has conducted workshops dealing with unconscious bias with managers across projects and offices in Hong Kong, Singapore, Indonesia and India.

These workshops assist managers to make clearer business and better people decisions, avoiding the potential to fall into the trap of unconscious bias when judging a situation quickly. The workshop helps employees to realise the importance of pausing and challenging our assumptions before rushing into a decision to achieve better outcomes. While diversity comes down to the mix of differences among people, inclusion is about deliberate efforts to welcome and integrate those differences, embracing equality and creating a sense of belonging. In India, inclusion is promoted through employee wellbeing activities. Key activities have included a talk delivered by a physiotherapy and wellness expert on Women's Health and Wellness, and anti-sexual harassment training for potential members of Leighton Asia's Internal Complaints Committee.

REWARD PERFORMANCE

CIMIC believes that people perform best when they have clearly defined roles and responsibilities, and encourage individual accountability. We understand that the role of remuneration – including incentives – is to fairly compensate, recognise and to motivate employees to achieve the Group's business objectives, for the benefit of shareholders. CIMIC encourages individuals to take responsibility for their role and to make decisions aligned with the Group's mission, Principles and strategies. The Remuneration Report in this Annual Report sets out the components of - and the Group's approach to - the remuneration of senior and other executives.

CIMIC has no defined benefit superannuation plans and carries no pension liability, unlike the regimes that investors might find in many other countries. In Australia, as per the prevailing Government legislated retirements benefits scheme, CIMIC contributes an amount equal to 9.5% of an individual's salary into their superannuation fund account. In other countries, we meet all of our legislative and contractual obligations with respect to pension fund contributions.

Individual responsibility

Accountability is one of CIMIC's 4 Principles and we encourage individuals to take responsibility for their role and to make decisions aligned with the Group's mission, Principles and strategies. This assists us to foster a culture of high performance. We believe that accountability is about taking responsibility for achieving outcomes and focusing on finding solutions.

Measurable goals

At CIMIC, we undertake regular performance management to develop and evaluate the performance pf individual in line with the Group's strategic plans and objectives. We set clearly defined and measurable goals aligned with our Principles and objectives.

Each of our Operating Companies has a framework for managing the performance of its people. Skills are mapped against role requirements and this information is then used to identify gaps in capability, and to consistently and equitably assess employee performance. Regular performance reviews for all staff facilitates the transparent discussion of employee achievement against key performance indicators and expectations. 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.

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.

We recognise the reporting requirement of DJSI to disclose the median or mean annual compensation for all employees except the CEO. For the 2019 year, the mean employee compensation ratio has risen marginally.

Compensation measures	**2019**	**2018**
Total CEO base salary (A$)	1,320,000	1,200,000
Average base salary – all employees (excluding the CEO (A$)[74]	129,872	122,829
Compensation ratio (CEO to all employees)	10.2	9.8

We also note that the management ownership of the CEO represents a multiple[75] of 0.35 times their base salary. The management ownership average multiple of the other Key Management Personnel member is 0.01 times.

[74] Data reflects staff remuneration. Due to timing of publication of the Annual Report, 2019 data is as at 30 November 2019 while 2018 data is as at 31 December 2018. Bonuses are not included in the comparisons as the current year's bonuses are not finalised before the publication of the Annual Report.

[75] Based on the value of shares (10,000) and options held at 31 December 2019 (closing price of $33.14 less issue price of options of $27.53 multiplied by 23,537 options) divided by Fixed Remuneration, as per the disclosure provided in the 2019 Remuneration Report.

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 2020, we plan to:

- continue to focus on talent and succession planning across the Group to build bench strength and deliver employee career opportunities;
- further improve and expand the graduate program, including inducting 222 employees in 2020;
- continue to undertake Human Rights and Modern Slavery risk assessments;
- continue to undertake Group-wide employee engagement surveys of employees to improve employee experience, and attract and retain employees;
- improve outcomes of our diversity and social inclusion programs;
- continue to refine our performance management approach to provide more focus on setting objectives and targets that deliver company performance, and seeking and giving effective feedback;
- building the knowledge and expertise of our people through targeted training and development; and
- upskilling leaders to provide support to employees experiencing family and domestic violence.

INNOVATION

OUR APPROACH

Innovation is one of the Group's Principles and is key to a sustainable business. Innovations are new and better ways of doing things that create value for the Group – from idea generation to implementation. Delivering innovative solutions is an essential element of being competitive in industries like ours. It means we are continually seeking out better ways to solve problems and improve, adapt and evolve. We seek to foster and encourage innovation, promoting a culture where employees are supported to adapt, innovate and be self-critical, and to learn from experience, rather than one that punishes failures.

Foster innovation	
Measures in place	▪ Dedicated engineering and technical services business - EIC Activities - leads Group's commitment to innovation ▪ Innovation embedded in Group's Principles, Sustainability Policy and mission of EIC Activities ▪ EIC Activities employees commit to spending 10% of their time on innovation projects ▪ Spigit software platform to capture innovations
Actions taken during 2019	▪ Trained 2,165 employees in the use of BIM and GIS
Performance	▪ A 40% increase in the application of BIM and GIS on projects ▪ EIC Activities' employees achieved innovation time of 7.8% and spent 12,583 hours on innovation ▪ 2,449 hours spent on BIM/GIS training
Capture knowledge	
Measures in place	▪ Interactive Project Knowledge Library (iPKL)
Actions taken during 2019	▪ EIC Activities provided training and webinars to over 6,383 participants during 2019 ▪ EIC Activities hosted 22 fortnightly best practice 'Webinar Wednesdays' watched by 3,472 people, up from 2,556 in 2018 ▪ EIC Activities hosted Webinars for 755 Graduates and provided on-demand training for 2,156 employees across the Group
Performance	▪ iPKL expanded to capturing details of over 3,000 projects with over 43,000 documents
Encourage collaboration	
Measures in place	▪ 23 communities of practice established in iPKL to promote collaboration across the Group
Actions taken during 2019	▪ 11 green standard projects registered in 2019 and 10 certifications received ▪ Building projects have received 95 Green Star[76] certifications since 2006 ▪ 81 employees accredited to 'green project' or 'Cleantech'[77] standards
Performance	▪ CPB Contractors is Australia's leading sustainability contractor having received 28 IS rating certifications from ISCA ▪ $3.0 billion of 'Cleantech' revenue generated from CPB Contractors' sustainably rated or 'green' projects – the equivalent of 40% of construction revenue and 20% of total revenue
Manage risk	
Measures in place	▪ Risk Policy; Risk Management Policy; Business Resilience Policy; and Quality Management Policy ▪ Risk management framework based on ISO 31000 ▪ Quality management systems based on ISO 9001
Actions taken during 2019	▪ 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. ▪ More than 80 tender review management committee meetings were held across the Group to assess tenders submitted to clients to ensure they complied with 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 2019	▪ Undertaken systematic review of potential longer-term risks and opportunities for the business
Performance	▪ Identified risks and opportunities captured in the Group's risk matrix

[76] Launched by the Green Building Council of Australia in 2003, Green Star is Australia's only national and voluntary rating system for buildings and communities.
[77] Cleantech refers to products or services that improve operational performance, productivity, or efficiency while reducing costs, inputs, energy consumption, waste, or environmental pollution. In CIMIC's case, these related to construction or operations and maintenance of projects that receive an externally validated sustainability rating.

Creating value

The Company helps to deliver innovative solutions for clients and to generate sustainable cash-backed profits which creates value for shareholders. For CIMIC though, value is more than purely dividends and share appreciation. CIMIC creates value in other ways that brings significant benefits to communities and society.

At CIMIC, we believe the value we create is critical for a sustainable business and future. This value goes beyond what we create for shareholders but includes societal value creation which acknowledges that what we do - on a daily basis - has impacts which resonate throughout the communities and societies in which we operate. If we do this well, over time this creates a virtuous circle which feeds back to the business and, therefore, our shareholders.

We, in turn, have embedded this broader concept of value creation which helps us understand the needs, concerns and expectations of our key stakeholders, and how we impact and influence them. Here we provide examples of the needs we meet and the value we create for CIMIC's key stakeholders, together with quantifiable examples from 2019.

Stakeholder	How CIMIC creates value	Examples of the value created in 2019[78]
Clients	▪ Providing high quality, safe, value-adding solutions ▪ Invest capital on behalf of clients to efficiently and effectively deliver projects	▪ Delivered $7.5 billion worth of construction activity and provided $2.6 billion worth of O&M services for infrastructure, building and resources projects ▪ Delivered almost $4.5 billion worth of outsourced mining services and minerals processing billion work ▪ Invested $774.4 million worth of capital in property, plant and equipment
Employees	▪ Provides safe, well-paid, stimulating career opportunities	▪ $3.7 billion of wages, salaries and benefits paid to employees[79], a significant portion of which was paid to employees based in rural and regional areas ▪ Invested in 825,220 hours of staff training and development
Suppliers / subcontractors	▪ Stimulated economic activity by procuring materials and services from subcontractor and other business inputs	▪ Procured $2.7 billion worth of materials and spent $4.2 billion employing subcontractors, many of them local[79]
Governments	▪ Generated and paid taxes which provide revenue for various National and State governments ▪ Mined minerals on which clients paid royalties ▪ Contributed to trade through the export of services ▪ Invest capital to boost productivity and support economic growth	▪ $351.2 million of corporate tax expenses paid ▪ $138 million of State payroll taxes paid in Australia (in 2018/19) ▪ CIMIC employees paid substantial personal income taxes to the Australian and other international governments ▪ Facilitated the generation of significant mining royalties for Australian governments through Thiess' mining activities ▪ Contributed $3.5 billion to the Australian economy through the export of construction, mining and minerals processing, and O&M services ▪ Invested $774.4 million in property, plant and equipment which fosters productivity
Communities	▪ Design, financing, construction, and operation and maintenance of infrastructure and property which improve the productivity of economies and the quality of people's lives ▪ Delivered sustainable infrastructure ▪ Provide local employment opportunities for people ▪ Support local communities through charitable giving and participation programs	▪ Delivered $7.5 billion worth of construction work and provided $2.6 billion worth of operations and maintenance services ▪ CPB Contractors' delivered $3.0 billion worth of sustainably rated or 'green' projects ▪ Many of CIMIC's 35,373 direct employees are from local communities and regional and remote communities ▪ Directly invested $1,045k into community investments, charitable donations and other commercial initiatives
Shareholders	▪ Delivering dividends ▪ Compensating shareholders via buyback program	▪ Returned $530 million to shareholders in the form of dividends and share buybacks
Debt and facility providers	▪ Generating secure and reliable returns for providers of debt and other financial facilities	▪ Paid $139.3 million in interest and other finance costs to providers of interest-bearing liabilities and other financial instruments

[78] The figures quoted are estimates based on CIMIC's internal calculations.
[79] Based on personnel costs as per Note 3. Expenses in the Financial Report.

Industry	▪ Encouraging industry innovation which leads to safer, more efficient solutions	▪ $2.3 million specifically invested on new innovation projects

Many of these factors are interlinked but the examples illustrate how CIMIC's operations provide benefits that multiply through the economy and society.

Completion of expressway reduces congestion and improves deliveries
Leighton Asia is proud to be a key and active partner in supporting infrastructure plans to boost economic activities and relieve traffic congestion in Metro Manila. With the hard work of Leighton Asia's North Luzon Expressway Harbour Link Segment 10 (NLEX) team, and their close working relationship with the client, the 5.6km 6-lane divided expressway project was completed six months ahead of the agreed schedule. The team remained Lost Time Injury free from the project's commencement in October 2014 until its completion in February 2019.

This phase of the NLEX project is expected to ease traffic bottlenecks as it diverts 30,000 vehicles daily away from the busy streets of Metro Manila and will facilitate the efficient delivery of goods as cargo trucks will have alternative access from the port area to the provinces in northern Luzon and vice versa.

The direct economic value, as defined by the GRI, generated and distributed by CIMIC over the past 3 years is set out in the table below.

Economic value created (A$m)[80]	**2019**	**2018**	**2017**
Economic value generated: Revenue	14,701	14,670	13,429
Economic value distributed	(13,588)	(13,736)	(12,650)
Of which: Operating costs	(8,922)	(9,208)	(8,341)
Employee wages and benefits	(3,710)	(3,634)	(3,530)
Payments to providers of capital	(658)	(593)	(510)
Payments to governments	(297)	(300)	(269)
Community investments	(1.0)	(0.7)	(0.5)
Economic value retained	1,113	934	779

Other shareholder return metrics can be found in the Operating and Financial Review and Remuneration Report sections of this Annual Report.

FOSTER INNOVATION

At CIMIC, 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.

While innovation occurs in every part of the business, it is most obvious in EIC Activities – the Group's engineering and technical services business. EIC Activities' name stands for Engineering, Innovation and Capability – reflecting its purpose.
EIC Activities partners with all of the Group's Operating Companies to ensure that the collective experience, technical capabilities, innovations and leading-edge technology applications are leveraged to deliver our client's objectives.

The CIMIC Innovation Program now in its 3rd year, has continued to build momentum within our Operating Companies. In 2019, more than 1,000 ideas were submitted across all our campaigns, with strong participation above industry benchmarks. These campaigns are an important tool in populating the improvement pipeline at each Operating Company. EIC Activities has been very active in taking these ideas through the proof-of-value testing phase, to pilot and then on to wider adoption.

International accolades received for excellence in innovation
Leighton Asia was selected as one of the Top 100 Companies in the New Civil Engineer's (NCE) Power List which recognises the most forward-thinking and innovative firms operating in civil engineering. Leighton Asia also won the 'Construction Innovation Award' at the NCE 100 Awards Dinner for its innovative approach in the construction of the Hong Kong-Zhuhai-Macao Bridge Passenger Clearance Building project, with site constraints overcome through the extensive use of offsite manufacturing.

EIC Activities collaborates with project teams from the earliest pre-bid, tender and project establishment phases where opportunities to innovate, mitigate risk and add value are strongest. Subject matter experts from EIC Activities are some of the industry's most respected engineers, academics and practitioners. They have extensive project experience across different geographies, markets, clients and contract types.

[80] As set out in GRI 201: Economic Performance, where the creation and distribution of economic value provides a basic indication of how an organisation has created wealth for stakeholders.

Earthworks trial delivers early efficiency gains

Two CPB Contractors projects, Western Sydney Airport Early Earthworks (EE) and Brisbane Airport New Parallel Runway, are trialling an innovation that has the potential to deliver substantial productivity savings. Delivery of a profitable earthworks project requires an efficient load/haul/dump cycle. While productivity is measured in many ways, tracking of this activity has often relied on paper-based methods.

The EE team introduced an innovation, applying tracking devices to CPB Contractors' earthmoving equipment to create a connected fleet. The use of technology in this way has improved monitoring of daily production and ensured the information is easily accessible online, any time of day. The tracking and monitoring systems are giving project engineers, supervisors and surveyors an informed view of production progress, allowing the team to adjust as needed. Applying the data collated in other ways, the team has also found that they can accurately quantify work and improve the construction verification method with high definition surveying.

On the New Parallel Runway project in Brisbane, CPB Contractors has teamed up with EIC Activities to take a similar approach. Trialling the use of low-cost sensors fitted onto an articulated dump truck to digitally track production, the team is experiencing gains in line with those on the EE project

The technology has the potential to improve cost and safety performance. The solution could be scaled across the business to deliver productivity benefits for similar sites, while also significantly removing the interaction of people and plant – a critical hazard for CPB Contractors and one that we aim to eliminate. Through these trials we have an opportunity to prove that automated load counting is useful to our people and that quality outcomes – including improved accuracy, productivity, scheduling and forecasting – can be delivered at low-cost to our projects.

The experts from EIC Activities are often called on to challenge and improve concept designs, construction methods and operations and maintenance practices, to find ways to increase the level of self-performance on projects and to deliver competitive solutions. Involving EIC Activities in tenders and projects consistently results in significant cost and program savings and delivering better outcomes for clients.

In 2019, EIC Activities invested more than A$2.3m in undertaking 24 new innovation projects, with a total of 43 active projects still underway at the close of 2019. EIC Activities helps CIMIC to source, evaluate and if required create new and better ways of executing work for our businesses.

Long term research programs included the continued research into new treatments for landfill characterisation and design in partnership with the University of Technology Sydney (UTS) which will enable more precise prediction of landfill performance and cost-effective treatments for new roads being built over landfill sites. EIC has also continued throughout 2019 the partnership with the University of Western Sydney with the SPARC research hub, a $3m industry partnership into alternative subgrades, pavements and various road and civil innovations.

New projects begun in 2019 include many new software and mobile solutions for the application of digital and lean workflows on construction projects, review and pilot of various digital automation technologies across the group for process optimisation, as well as new construction and mining projects for field robotics and automaton of earthworks. The business is also investing in the creation on national geotechnical and reactive soil databases bringing together the knowledge of our projects, with the GIS and digital capability of EIC Activities.

Fashion forward – Sedgman's intelligent wearable technology

Sedgman is currently testing intelligent, wearable technology which can be used to transmit visuals from site to office-based experts who can diagnose maintenance issues and provide immediate support. The technology consists of a camera, noise-cancelling microphone and earplugs. It enables the wearer to share real-time footage, still images and audio between two locations via 3G/4G mobile or site Wi-Fi networks. Video footage from the site can be annotated in real-time and viewed in the headset screen of the user.

The use of intelligent wearables is just one of the elements supporting Sedgman's SMART Plant strategy, which aims to digitally transform plants so that they can be remotely supported. The advanced plant monitoring that is delivered through these digital initiatives has a wide range of benefits including maximised plant performance and runtime through process optimisation and predictive maintenance activities. Other benefits include improved client engagement through transparent and real-time data, reduced site travel requirements for regional experts and enhanced effectiveness of the teams on the ground.

All of our businesses now have dedicated innovation teams, who meet regularly with the assistance of EIC to ensure that the knowledge is captured and transferred between projects and operating companies to improve our capability across the board.

UGL shares 'Engineering Team of the Year' award with its partners

One of the Group's major clients, the Royal Australian Navy has presented UGL, and its partners on the Landing Helicopter Dock (LHD) Landing Craft Engineering team, with its 'Engineering Team of the Year' Gold Commendation. The Navy's Capability Acquisition and Sustainment Group (CASG) holds these awards each year to recognise the outstanding contributions and achievements made by their civilian and military organisation partners. UGL, with its engineering team partners CASG, Navy Technical Bureau, Defence Science and Technology, Navantia and KBR received the recognition for their engineering solution that has increased the capacity and capability of the Navy's LHD Landing Craft.

In 2018, the LHD Landing Craft Engineering team set themselves the ambitious task of enhancing the carrying capacity of the LHD Landing Craft. These are critical Defence Force assets that provide essential ship-to-shore transport for disaster relief and humanitarian missions. The team collaborated to find and successfully implement the solution which needed to provide immediate and long-term improvements to the fleet whilst avoiding additional costs or resources during the implementation. The team engineered solutions that included designing a dunnage system, which secures cargo, and successfully deployed this system in eight weeks. The improved capability now enables loading and transport of all existing and future land vehicles for Defence's Amphibious Forces. The team also conducted a stability analysis and redesigned the engine room to include an additional watertight bulkhead and relocated various systems on the vessel. It was this solution that increased the capability of the LHD Landing Craft to safely carry 60 tonnes of cargo within normal operational limits, an increase of 40 tonnes or a 300% improvement in performance, while delivering it for minimal cost.

UGL has been delivering maintenance support services, including preventative and corrective maintenance, to the Navy's fleet of 12 amphibious LHD Landing Craft since 2014. The team's contribution to future proofing LHD Landing Craft capability greatly enhances the overall program for CASG.

EIC Activities also has access to, and extends its capability, through other technical groups within the ACS Group, including HOCHTIEF AG, Dragados and Turner.

CAPTURE KNOWLEDGE

We seek to provide a dynamic work environment, one where our people and projects share access to world class technologies, engineering solutions, knowledge resources, communities of practice, and outstanding technical training and development. A key tool in this capture of knowledge has been the creation of our own, custom-built, intellectual property database in the form of our interactive Project Knowledge Library (iPKL) which was launched in 2016. Built and continually developed by EIC Activities, iPKL holds key data from over 3,000 diverse projects.

The iPKL platform also includes more than 20 communities of practice which bring together engineering expertise, technical solutions, lean practices, new technologies and advanced industry developments - equipping the Group with more levers to innovate, mitigate risk, add value and drive performance. 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:

- Applied Technical Knowledge
- Asset Management
- Building
- Community and Stakeholder Relations
- Concrete and Quarry Materials
- Digital Engineering
- Environment
- Geotechnical
- Heavy Lift
- Innovation and Lean
- Knowledge Management
- Mechanical and Electrical Engineering
- Procurement
- Project Planning
- Quality and Compliance
- Rail
- Roads and Civil Works
- Structural Engineering
- Survey
- Sustainability
- Temporary Works
- Utility Management
- Water and Waste Water

Global environment community of practice

In 2019, 22 environmental representatives from Thiess and Sedgman across Australia, Indonesia, Chile and Mongolia gathered in Brisbane for an environmental community of practice. The three-day session saw presentations on key topics including rehabilitation, water management, dam governance and the systems and processes being used to manage environmental obligations.

The interactive sessions provided opportunities for discussion and questions. The event also encouraged the sharing of key learnings, discussion about potential improvements and an opportunity to celebrate progress and achievements.

Project related resources held in iPKL includes: pre-contract documents; work pack/execution resources; project data sheets; images; case studies; lessons learned; final project reports; innovations; technical papers; award submissions and awards received; and capability statements. iPKL supports the efficient preparation of tenders and assists project delivery. By using iPKL to access and store key information resources, our people can fast track learning, repeat successes, avoid mistakes and innovate to win challenging projects.

Digital engineering

Building Information Modelling (BIM) and Geographic Information Systems (GIS) are digital engineering technologies that enable project teams to collaborate in virtual environments. The Group's digital engineering approach integrates Information Management, BIM, Quality Assurance and Asset Management, which our project teams leverage to generate innovative end-to-end solutions, and to manage complex interfaces and control project delivery. This is a core capability that equips us to reliably and cost effectively deliver quality assets, optimise performance and improve social, economic and environmental outcomes.

Remote location construction challenges overcome by digital engineering know-how

CPB Contractors has utilised BIM and off-site prefabrication to overcome the challenges of designing and building, in a remote semi-rural location, the Waikeria Prison Development Public Private Partnership (PPP) project. It provides a good example of how digital technologies can add value by supporting engineers on site, simplifying how they work, and optimising the Group's capability.

The new facility is being built on the site of the existing Waikeria Prison in the Waikato region (upper North Island) of New Zealand, and features accommodation for 500 prisoners, along with a secure mental health unit providing care for additional prisoners. It features 29 buildings on a 21-hectare project site.

Supported by EIC Activities, the team used BIM modelling to prepare for early engagement with the structural steel and pre-cast fabricators. Building digitally first enabled the team to accurately brief fabricators on scope, design and delivery. The project is utilising 2,500 precast flat panels in the construction and 1,600 panels for the containment fence. Using BIM sped up the process and allowed the team enhanced coordination and to detect potential clashes.

CIMIC's expertise in, and, application of, BIM for design and construction was recognised in 2017 by the global market leader in business standards, the BSI (British Standards Institution). In 2019, CIMIC has received acknowledgement of the BSI Kitemark for Design and Construction - BS EN ISO 19650-1 and BS EN ISO 19650-2.

CIMIC Group first in Australasia to be certified to new International BIM standard ISO 19650

In 2019, CIMIC Group companies, CPB Contractors, Leighton Asia, UGL, Sedgman, Pacific Partnerships and EIC Activities were the first in Australasia to achieve Kitemark certification for excellence in BIM to the new international ISO 19650 standards series. The BSI certification recognises CIMIC Group's leading expertise in using BIM for design and construction over the whole life cycle of a built asset, from strategic planning, design and delivery, through to operations, maintenance and decommissioning.

BSI certification is the international benchmark for excellence in digital engineering and project delivery. As part of the certification process, BSI completed onsite audits with CIMIC Group projects, assessing areas including delivery to contract requirements, client satisfaction and supply chain management against the ISO requirements.

BSI's independent assessment and certification recognises and endorses all nominated CIMIC Group companies for digital engineering compliance, to the specific standards BS EN ISO 19650-1 and BS EN ISO 19650-2 with BSI Kitemark certification, being the highest certification of excellence to those standards. This builds on the Group's 2017 achievement of being the first Australasian companies to achieve BSI Kitemark certification to the previous BS and PAS 1192 standards.

Kitemark certification to ISO 19650 parts one and two reflects that CIMIC Group's digital engineering capability is embedded in our operations and enhances value for clients.

Digital engineering is increasingly being mandated by clients and is becoming the norm for tenders and projects in construction, mining, mineral processing and services. EIC Activities is leading the Group's innovation in the use of these technologies.

Innovative falsework improves efficiency and safety

In Hong Kong, Leighton Asia's team on the 2.2km, dual-lane Tseung Kwan O-Lam Tin Tunnel (TKO-LTT) highway project developed an innovative approach to erect, use and dismantle a temporary falsework system on a steep slope, while allowing other parts of the project to progress under and around the footprint of the structure. Falsework consists of temporary structures used in construction to support a permanent structure until its construction is sufficiently advanced to support itself. On the TKO-LTT project, the falsework is being used to construct a new bridge which consists of multiple lightweight parts assembled to form heavy-duty props and large-span trusses to cope with the difficult terrain.

To assist the workers in overcoming their unfamiliarity with this relatively new and complex falsework structure, practical training sessions were held in the supplier's workshop prior to the start of works on site. Prefabrication of props and trusses occurred on ground, largely reducing the need and risk of working at height.

The challenging dismantling sequence, where access to the falsework for the crane was blocked by the completed bridge, was planned using BIM technology for better communication with the work crew. Feedback from daily work team briefings and results from continuous monitoring of the works were used to constantly review, and if necessary, adjust the disassembly sequence. Because of this process, the team developed the idea to extend the vertical supports underneath the bridge and separate the falsework trusses into two parallel longitudinal segments. This allowed the trusses to be slid out from the cover of the bridge until they could be lifted safely by the tower crane for dismantling on the ground. Control measures to ensure the steel trusses' stability during the sliding process were put in place. Separating the steel beams into two segments reduced the load and increased ease of manoeuvrability. This method was not only safer but also streamlined the dismantling process by allowing two teams to effectively work on either side of the falsework system with minimal disruption to other works.

BIM is used for generating and managing digital information with virtual models representing the project scope and existing interfaces.

Upgrading a fifty-year-old plant using 3D scanning
At the Elkview site in British Colombia, Canada, Sedgman engineers are providing their expertise to upgrade a coal preparation plant. Originally built in the late 1960s, and then expanded and upgraded in 2012, Sedgman has been engaged to increase the production of clean coal from the plant from 7.2 million tonnes per annum (Mtpa) to 8.2 Mtpa by 2020 and then to 9.0 Mtpa by 2021.

The majority of Sedgman's work is to be completed in the original, 50-year-old, plant structure. Given the age, information and drawings are often missing or are no longer reliable. To achieve a base model for the existing structure and equipment, Sedgman arranged for the entire plant to be 3D scanned. The 3D scan was then converted into a 3D model with the assistance of HOCHTIEF India. The 3D model is being used for structural calculations, new design activities and drawing generation. Using this approach, Sedgman has lowered the overall project design budget and is providing the client with a full 3D model of the Elkview plant. This innovative approach uses the best of available technology to complement the engineering expertise at Sedgman ensuring optimal outcomes for the client.

CIMIC has also developed a leading position in the use of GIS which enables projects to integrate, store and analyse geographic information to improve the effectiveness of project design, planning and delivery. Digital workflows support information transfer throughout the project team and eventually to the end user.

New heights in surveying
The team on the TKO-LTT project in Hong Kong has been innovating to apply drone or unmanned aerial vehicle technology for surveying to enhance operational efficiency and mitigate safety risks. The terrain of the TKO-LTT project is very steep and has proven challenging to surveys. Traditional survey, which take place every 3 months, generally take 10 days with a team of six to eight surveyors. A further few days are then required for processing the data and preparing the computer-aided design or CAD drawings.

With drone technology, challenging surveying becomes more time-efficient and safer to conduct. On the project, the team is able to quickly capture more meaningful data to better track progress, manage resources, and keep to budget, which benefits the entire project. A 16-hectare site can be surveyed in less than an hour via our automated 'Map Pilot' flight application.

Use of drone technology is advancing rapidly and can be used in various stages of the construction lifecycle to perform numerous key functions, including:

- Assessing greenfield site conditions;
- Aiding with site planning and layout;
- Capturing construction progress photos;
- Performing 3D scans of existing structures;
- Creating virtual building models; and
- Assisting with ongoing maintenance and damage assessment.

Leighton Asia collaborated with EIC Activities and received some advice and direction on what software and hardware to use.

Contagious enthusiasm for digitisation
BIM is playing an important role in Leighton Asia's successful delivery of the Hong Kong International Airport Terminal 2 Foundation and Substructure Works (T2) project. On the T2 project, a joint venture including Leighton Asia is responsible for the construction of the new Terminal 2 basement structure, a South Annex Building, future viaduct foundations and demolition works required for the expansion of the existing Terminal 2 building.

The challenge to maintain up-to-date data for geotechnical design is often regarded by engineers as one of the most time-consuming and repetitive tasks. The solution offered by the BIM team automates the workflow, reducing the effort spent on daily data input, interpretation and amendment. A smart script has been developed to read and interpret site logs, update drawings and evaluate the site conditions. A similar approach is also used to record the as-built status of different elements for internal checking and coordination with the client. The result is a more effective use of resources which significantly increases efficiency and quality.

The T2 team has also embraced Sketchup as a 3D tool for temporary work design, producing fine and highly coordinated 2D drawings directly from the models. This has enabled the BIM model to be brought on site, enabling all site staff to better understand and coordinate work to be carried out. To keep track of site progress, another smart script allows the team to extract information from project diaries making it visually available to members of different teams. This enables the team to read the status of hundreds of foundation and structural elements. By inputting the collected values into the models, data can be recalled and displayed in meaningful ways for different teams to analyse. The collected data can then be converted to generate a set of animated method statements for each stage in virtual reality. These animations allow the operation team and engineers to work together, refine their planning of works and significantly mitigating safety risks on site.

Projects have reported a 40% increase in the use of BIM and GIS across their teams. Increases have been measured not only in the numbers of projects implementing Digital Engineering but also broader usage and application across the project teams. CPB contractors have implemented standardised Digital Engineering practises on fourteen major infrastructure projects in 2019.

In 2016, our people were accessing 250,000 maps per week on GIS platform. By 2019, this had grown to more than 2 million maps per week.

Since the attainment of Kitemark certification in 2017, we have been progressively implementing Digital Engineering best practices on all of the Group's infrastructure project and, in 2019, we trained more than 2,165 people for 2,449 hours in the use of BIM and GIS (versus 659 people 2018).

Tried and tested

EIC Activities' Digital Engineering team, in collaboration with Nexplore, is testing augmented reality (AR) on several sites across the Group to review, analyse and demonstrate the value of its use in practical applications. AR is an experience where computer generated information and imagery is overlaid on the real-world environment to appear as though it exists in the same space.

An AR mobile application is being developed which will keep images anchored in the real-world position as users move around the site. This allows project teams to view 3D Building Information Model (BIM) designs on their sites through a smartphone or tablet at any time during construction. At CPB Contractors' Gunyama Park Aquatic and Recreation Centre project in Sydney, EIC Activities is working with the project team to use AR to visualise the federated BIM model on the construction site. A federated BIM model encompasses all elements of the design, such as fire systems and electrical. This is allowing team members to view on a tablet the digital model overlayed on the construction site and to gain a clear understanding of the spatial aspects of the design.

EIC Activities is also expanding the use of 4D planning on building and infrastructure projects to combine digital BIM designs with project planning. Special 4D planning software allows construction planners to directly manipulate the 3D design models to reflect the desired construction sequence over time, shown through 4D simulations and traditional Gantt charts. This approach makes planning easier, more accurate and provides assurance that the design and proposed construction methodology are fully compatible.

Technical training

EIC Activities has continued to deliver its 'Webinar Wednesday' series to promote discussion and socialisation of technical knowledge throughout the CIMIC Group, and to connect colleagues interested in a variety of engineering topics with a focus on risks and opportunities, best practice and emerging technologies. Held every second Wednesday, the 22 roughly 40-minute interactive webinars - with a question and answer session at the end of each presentation - were watched by more than 3,472 employees. The webinars are also available for viewing later on the intranet and the subjects covered in 2019 included:

- Applied Technical Training 2019 Launch
- Digital Engineering 2019: The Year Ahead
- Introducing HOCHTIEF India
- Infrastructure Conceptual Design
- Augmented & Virtual Reality
- ISCAv2: The Essentials
- Rail Track Construction
- Alternative Remote Power Solutions
- Earthing & Bonding in Rail Systems
- Implementation of UAV Drone Technology in Hong Kong
- Future Rail System Technology: AI, Big Data, IoT & Blockchain
- MEP Construction Engineering Service
- CIMIC Knowledge Tank and the Fuel that Feeds It
- Challenging the Norm in Flexible Pavement Design & Construction
- Microsoft OneNote: your digital notebook
- Asbestos Awareness
- MEP Modular Construction Benefits
- The Importance of Commissioning Strategies during the Tender Phase
- Managing Excavation Permits using GIS and digital technologies
- CIMIC Knowledge Tank and the Fuel That Feeds It
- Asphalt Innovations
- Glass Fibre Reinforced Polymer: The other reinforcement

ENCOURAGE COLLABORATION

At CIMIC, we encourage collaboration with industry and other related entities that may provide opportunities to benefit the Group. We also promote and support research and development projects that have the potential to improve the safety, efficiency or sustainability of the industry.

Australian first propels team to success

In a first for the Australian Navy and its ANZAC Class Frigates, a team at Naval Ship Management (NSM) has executed an underwater bearing replacement on a warship propeller shaft that has significantly improved the operational condition of the ship and reduced maintenance time and cost. NSM is UGL's joint venture providing long-term asset management of multiple Royal Australian Navy ships.

The bearings that were replaced, support the ship's propeller shafts and are critical to the safety and performance of the vessel while at sea. Identifying worn bearings usually means a full docking, where the ship needs to be pulled up out of the water to replace them at significant cost. By collaborating with experts in their network, the NSM team developed an underwater engineering solution to replace the worn bearing underwater, without impacting the ship's operational schedule.

The client was concerned about the level of risk that would be involved in carrying out the work underwater and the quality of the final outcome. The NSM team's engineering-led approach guided investigation into the full detailed feasibility of changing the bearings underwater. The team worked with all stakeholders to assess the risks and establish targeted mitigations before commencing the task. Following significant testing, an integrated team of commercial divers and Navy clearance divers, with the NSM team monitoring and supervising the work via a video link between the divers and the surface, successfully replaced the worn bearings within a week. Following integrity testing, the frigate was announced ready-for-sea and was able to head out for an 18-month tour of duty.

The team's efforts were recognised by the frigate's Commanding Officer who said: "The level of collaboration throughout the project was outstanding. From the Integrated Project Team down, all stakeholders epitomised the NSM Values and the resulting excellent cooperation ensured a smooth project."

Green rated projects

Increasingly, governments are undertaking sustainable procurement which requires their various agencies to integrate sustainability principles, planning and implementation into their procurement practices. By pursuing sustainable procurement, governments seek to spend public money efficiently, economically and ethically by considering and integrating issues such as environmental management, ethical procurement and socio/economic benefits.[81] In many cases, this is manifest in the requirement to deliver against well established, third-party sustainability ratings systems such as IS and GreenStar ratings.

Government area	Agency	IS Rating mandate[82]
NSW	Department of Planning	▪ Critical state significant infrastructure
	Transport for NSW	▪ All projects >$50m ▪ High risk projects <$50m
	Sydney Metro	▪ All projects in program
	Queanbeyan Council	▪ All project >$2m
QLD	Department of Transport and Main Roads	▪ All projects >$100m
WA	Main Roads WA	▪ All projects >$100m
VIC	Vic Roads	▪ All projects >$100m
	Level Crossings Removal Authority	▪ All projects in program
	Melbourne Metro	▪ All projects in program
	City of Casey	▪ Capital works projects
ACT	Environment, Planning and Sustainable Development Directorate	▪ Capital works projects >$10m[83]
New Zealand	City Rail Link Ltd	▪ All projects in program

CIMIC is supportive of this approach by governments as the ratings provide a mechanism for project solutions that deliver environmental and social benefits while reducing life cycle costs.

CPB Contractors has established a position as an industry leader in the delivery of 'green' rated infrastructure projects in Australia and New Zealand and encourages clients to mandate the use of this rating system. CPB Contractors is currently working on or has delivered 33 IS registered or certified projects worth more than A$34 billion in total.

[81] NSW Government, ProcurePoint - Sustainable procurement.
[82] Detail reviewed by ISCA, 26 Nov 2019.
[83] Either an IS rating or a Greenstar rating as per the ACT Climate Change Strategy 2019–25.

Green standard construction projects (#)	**New registrations during 2019**	**Cumulative certifications since 2006**
IS	11	28
Green Star	0	95
BEAM Plus	1	8
LEED[84]	0	10
Green Roads[85]	0	2

In 2019, CPB Contractors generated 'Cleantech' revenue of $3.0 billion from sustainably rated or 'green' projects. This figure - while down on 2018 due to the completion of several large IS rated infrastructure projects - represents approximately 20% of the Group's 2019 revenue.

CPB Contractors' green project revenue ($m)	**2019**	**2018**	**2017**
Total	3,020	4,932	2,703

In 2019, CPB Contractors' performance, leadership and contribution to advancing infrastructure sustainability in Australasia was recognised when ISCA named the Company the recipient of their 'Organisational Leadership in Infrastructure Sustainability Award (Private Sector)'.

UGL helps deliver highest ever IS rating for water infrastructure project
A joint venture, including UGL, is delivering a A$450 million upgrade of water infrastructure at St Marys and Quakers Hill in New South Wales for Sydney Water. The Lower South Creek Treatment Program is adopting new technologies that are making water treatment more sustainable, cost efficient and effective.

This is the first Sydney Water project to trial the IS Rating tool and certification process and features a number of sustainability initiatives. Energy and carbon forecast modelling for the project estimates that the Program will achieve a reduction of 870,000 tonnes - or a 42% reduction - in total greenhouse gas emissions during construction and across its 50 years operational life. This reduction includes embodied CO_2 emissions from construction materials and treatment chemicals.

Onsite renewable energy use is a core objective of the Program and the implementation of consolidated solids processing at St Marys allows for anaerobic digestion and energy recovery through a co-generation plant. With on-site thermal energy recovery and electricity generation the project is able to self-supply 69% of its electricity demand.

The project has received the highest IS rating ever achieved for an Australian water infrastructure project, an Excellent 'Design' rating. This is the first IS rating achieved on a project where UGL has been a delivery partner/lead constructor and provides UGL with an opportunity to promote the IS rating when tendering for future work.

Setting an example, CIMIC and its Operating Companies are headquartered in a number of green rated offices which were described in the 2018 Sustainability Report.

Collaboration with industry associations and NGOs

CIMIC supports, and will seek to leverage, opportunities for external industry collaboration that create benefits for the Group and/or the industries in which we operate. Any collaboration, including membership of industry bodies, is undertaken within the boundaries of the Code of Conduct and our commitment to acting with integrity. All corporate memberships require the approval of CIMIC's CEO and are coordinated by CIMIC.

We encourage our Operating Companies 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. The Group is a member of a number of trade and industry associations and other groups which are listed on our website.

CIMIC believes that such memberships can provide networking opportunities, support professional development and help to drive improvements in industry practices, to the benefit of employees, shareholders and society. We also understand the increasing level of stakeholder interest in membership of industry associations and their potential to play a lobbying or advocacy role on behalf of the business. CIMIC's membership participation is restricted to the payment of annual subscription fees and we do not provide additional funding to support campaigns or other activities.

[84] 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.
[85] Greenroads is an independent non-profit that advances sustainability performance management and education for transportation capital projects.

Research and development

CIMIC promotes and invests in research and development to optimise whole-of-life solutions and innovate to drive efficiency and productivity, mitigate risk, increase self-performance and improve outcomes across the project and asset lifecycle. Our EIC Activities business provides projects with technical analysis, advice and reviews, right through to comprehensive services where they challenge designs and methods, develop solutions and deliver innovations.

EIC Activities formal innovation platform saw 608 employees involved in innovation management during 2019 with 1,199 ideas submitted for consideration. These innovations attracted more than 2,000 comments, reflecting a high level of engagement in the process.

MANAGING RISK

We define risk management as the identification, assessment and treatment of risks that have the potential to materially impact our operations, people, and reputation, the environment and communities in which we work, and the financial prospects of the Group. Our risk management framework is continually monitored, is tailored to our business, embedded largely within existing processes and aligned to our objectives, both short and longer term.

The CIMIC Risk Management Framework is based on International Standard ISO 31000 '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 Group's diversity of operations, 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. The Group's approach to Risk Management has been described in detail in previous Sustainability Reports.

Quality

CIMIC seeks to deliver quality projects that meet the requirements of our clients and other stakeholders. A quality outcome is the result of good planning and skilful execution and is a function of how we manage risk. Everyone has accountabilities in this regard for the delivery of quality outcomes.

Team makes waves in water quality

In late 2016, UGL and CPB Contractors were awarded the contract to design, construct and commission a new Sewage Treatment Plant (STP) at Melbourne Water's Western Treatment Plant (WTP), 34km from the Melbourne CBD. To further improve the tendered design, the team collaborated and challenged themselves to look for further improvements. They engineered a redesign on the 140 ML/day plant, which delivers a more robust treatment process, enables the plant to be operated more cost effectively and supports the safety of the construction team, operators and maintenance staff and site visitors.

The redesign resulted in a simpler and easier to control raw influent system that significantly improved the distribution of the influent around the large site and reduced the cost of the inlet works. Knowing that the largest operating cost of a wastewater treatment plant is the aeration system, the team also thoroughly reviewed the proposed system. They used their review findings to deliver high performance aeration equipment in each biological reactor through state-of-the-art blowers fitted with magnetically levitating bearings.

The plant successfully achieved practical completion on 26 April 2019. The plant is performing well with all four of its reactors operating at design capacity and producing water quality better than the specified requirements. Melbourne Water has recognised the project as an outstanding example of what a good safety culture looks like and last year presented the Site Superintendent with an award for safety leadership at its Melbourne Water inaugural safety awards.

Dedicated quality managers are in roles with direct accountability for ensuring compliance with ISO 9001 Quality Management Systems. The Group's quality certification includes:

- Thiess - AS/NZS ISO 9001 (DNV-GL Quality System Certification);
- CPB Contractors - AS/NZS ISO 9001 (SGS Quality System Certification);
- Leighton Asia - ISO 9001 (India, Singapore, Malaysia, Indonesia - Lloyd's Quality System Certification, Hong Kong - HKQAA Quality System Certification, Philippines - Bureau Veritas Quality System Verification);
- UGL - ISO 9001 (Bureau Veritas Quality System Verification); and
- Sedgman - ISO 9001 (SAI Global)[86].

[86] Sedgman's HSEQ management system is certified to this standard, the projects business has been externally audited for compliance and operational sites are internally audited for compliance.

One way of measuring quality is through repeat client rates which CIMIC regards as providing a better indicator of client satisfaction than client surveys. CIMIC calculates a repeat client rate by summing the total value of all contracts awarded by existing clients during the year (including new contracts, extensions and variations) and dividing by the total of value of all contracts awarded during the year (as per page the 'New Work and Work in Hand' sub-chapter in the Operating and Financial Review). On an aggregated basis, using the dollar value of contracts awarded, the repeat client rate for the Group has consistently been over 80% for the last 5 years.

	2019	2018	2017	2016	2015
Repeat Client rate (%)	94	88	86	83	93

FOCUS ON THE FUTURE

We actively monitor our markets and the broader business environment for disruptions, trends or changes that may present risks or opportunities. We seek to mitigate the risks and to and capitalise on any opportunities. Some of these potential disruptions, trends or changes that could impact on the Group include the impact of new technologies on construction techniques, automation in mining, demographic changes and ageing of the population, and changes in the energy mix with greater use of renewables. These were addressed in detail in the 2017 and 2018 Sustainability Reports.

UGL invited to share renewables expertise

As the renewables sector evolves, the key question now being raised is 'What's next'? Representatives from UGL were invited to address this question in June 2019 at the Australia-Korea Business Council (AKBC) Conference as part of a larger Australian Energy Storage conference held in Sydney, New South Wales.

It was made clear at the conference that Korean investors are interested in local Australian installers who know the landscape and have a strong reputation in the field. Recognising their leadership in the Australian renewables market, UGL was asked to provide a presentation focusing on trends and upcoming projects in Australia. They also highlighted UGL's capabilities in solar and battery installation, and strong history of performance in high voltage power management. The conference was an excellent opportunity to develop deeper and broader relationships with Korean organisations interested in creating partnerships in Australia.

While UGL is well positioned, they are also taking a longer-term look at other technologies, such as pumped hydro and waste-to-energy, which are expected to play a large part in Australia's renewable energy future. UGL's experience in renewables and solar includes the construction and commissioning of 12 solar farms, and six other renewable projects with a current output of 380 megawatts across Australia.

Other potential disruptions or trends include the increasing demand for sustainable infrastructure.

Sustainable infrastructure

In August 2019, Infrastructure Australia launched its 2019 Audit, sparking a new national conversation and calling for long-term changes to the way governments plan, fund and deliver infrastructure. According to the Audit, more than $200 billion in infrastructure investment is in the project pipeline, while $123 billion is underway. Infrastructure Australia's Audit identified 180 challenges and opportunities; 22 of these are directly addressed by ISCA and the Infrastructure Sustainability (IS) Rating Scheme

In response to the Audit, ISCA released a submission which outlines innovative industry-led solutions to support the design, delivery and operation of sustainable, resilient infrastructure. That submission referenced IS's project database of 63 projects worth $165 billion that demonstrate how well-planned, well-designed infrastructure can be economically and environmentally sustainable and support growing communities over the long-term.

The IS Rating Scheme links infrastructure development directly to the UN's Sustainable Development Goals, aligning industry best practice with global sustainability targets. IS-rated projects have collectively avoided 20 million tonnes of emissions, 150 million waste to landfill and 170 million megalitres of water consumption. The Audit notes that sustainability and resilience are not 'fringe concepts', but good economic practice – and CIMIC agrees. While it's possible to start creating change at any point in an asset's lifecycle, the greatest opportunities lie at the earliest stages, starting with strategic planning.

Australia has industry-accepted best practice benchmarks for sustainable, resilient infrastructure – the IS Rating Scheme. We now need wider mandates from all three tiers of government to ensure all infrastructure delivers cultural, social, environmental and economic benefits. Many of the issues raised in the Audit demand revolutionary thinking and radical changes to industry practice. CIMIC welcomes the opportunity to work with ISCA and other stakeholders across the infrastructure sector to accelerate innovation because we know this will make the most of this unmissable opportunity. ISCA's submission summary in response to Infrastructure Australia's 2019 Audit can be downloaded from their website.

OUTLOOK AND FUTURE PLANS

We are committed to bringing an innovative approach to the successful delivery of projects. In 2020, 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 estimator staff, project managers, procurement and project related sustainability and environmental employees on subjects including integrating sustainability into the 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;
- scale the Thiess Innovation framework to provide transparency of ideas for collaboration across geographical boundaries;
- unlock the value of innovation through the delivery of the Innovation and Technology road map to define Thiess' digital landscape for our business strategy;
- continued use of crowd sourcing innovation campaigns using Spigit to identify challenges and deliver innovation;
- leverage the engineering expertise and experience of our major shareholder, HOCHTIEF, and its related entities; and
- review and publish our response to the TCFD[87] recommendations.

[87] Task Force on Climate related Financial Disclosures

ENVIRONMENT

OUR APPROACH

CIMIC is committed to undertaking business activities in a manner that respects the environment and contributes to the sustainability of our business. 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 to mitigate environmental risk. We seek to continually innovate to improve the efficiency of the resources we use and reduce waste, thereby lowering our costs, improving our value proposition and benefitting the environment.

CIMIC is committed to abiding by Principles 7-10 of the United Nations Global Compact which state that businesses should:

- support a precautionary approach to environmental challenges - Principle 7;
- undertake initiatives to promote greater environmental responsibility - Principle 8; and
- encourage the development and diffusion of environmentally friendly technologies - Principle 9.

Prevent pollution	
Measures in place	▪ Code of Conduct; Environmental Policy supplemented by Operating Company Policies and systems ▪ Quarterly review of the performance of Operating Companies by ECSC ▪ 100% of Operating Company management systems certified to ISO 14001 ▪ 289 environmental experts employed across the Group
Actions taken during 2019	▪ Maintained a rigorous approach to environmental management ▪ Numerous, project-by-project initiatives tailored to manage risks as appropriate
Performance	▪ Solid environmental result with 1 Level 1 incidents and 29 Level 2 incidents recorded ▪ 32 breaches resulted in 18 fines totalling $307,538
Use energy efficiently and reduce emissions	
Measures in place	▪ Sustainability Policy; Environmental Policy supplemented by Operating Company Policies and systems
Actions taken during 2019	▪ Reported Australian energy use and Scope 1 and Scope 2 emissions to the Clean Energy Regulator as per the Group's NGER obligations ▪ Submitted a comprehensive response to CDP's 2019 Climate Change survey ▪ Numerous, project-by-project initiatives tailored to energy efficiency and reducing emissions as appropriate
Performance	▪ Reduced energy intensity from 0.74 GWH/$m of revenue to 0.72 GWH/$m ▪ EY undertook a Limited Assurance audit of the Group's NGER submission and signed off on the Energy and Emissions Report ▪ Received a 'C' rating from CDP
Reduce waste	
Measures in place	▪ Sustainability Policy; Environmental Policy supplemented by Operating Company Policies and systems
Actions taken during 2019	▪ Numerous, project-by-project initiatives tailored to reduce waste as appropriate
Performance	▪ Each Operating Company has a range of programs in place to actively reduce waste and encourage recycling ▪ Achieved a recycling/reuse rate of 78.6% with only 4.2% of waste disposed to landfill ▪ Recycled 28,301 tonnes of concrete
Conserve water	
Measures in place	▪ Sustainability Policy; Environmental Policy supplemented by Operating Company Policies and systems
Actions taken during 2019	▪ Submitted a comprehensive response to CDP's 2019 Water survey ▪ Numerous, project-by-project initiatives tailored to conserve water as appropriate
Performance	▪ Aggregate water usage reduced with a water intensity of 0.38 ML/$m of revenue ▪ Achieved water recycling/reuse rate of 20.1%

Use materials efficiently and reduce impact	
Measures in place	▪ Sustainability Policy; Environmental Policy supplemented by Operating Company Policies and systems
Actions taken during 2019	▪ Numerous, project-by-project initiatives tailored to use materials efficiently as appropriate
Performance	▪ Sydney Metro Northwest project the first project of its kind to earn a responsible timber project certification
Protect biodiversity	
Measures in place	▪ Sustainability Policy; Environmental Policy supplemented by Operating Company Policies and systems
Actions taken during 2019	▪ Numerous, project-by-project initiatives tailored to protect diversity as appropriate
Performance	▪ Reshaped 524 ha, top-soiled 320 ha and seeded 63 ha 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 the development of Climate Resilience Plans on CPB Contractors' construction projects
Actions taken during 2019	▪ Numerous, project-by-project initiatives tailored to build resilience as appropriate
Performance	▪ Climate change resilience initiatives integrated into project plans and lifecycle assessments

PREVENT POLLUTION

CIMIC is committed to preventing the incidence, and mitigating the impact, of any pollution to air, water or land.

We understand that good environmental performance helps to gain the confidence of our clients, communities, regulators and the various stakeholders that our projects interact with. We also recognise that, by preventing pollution, we avoid potential operational delays, remediation costs, fines and legal fees, and the potential of litigation and the resultant increase in insurance premiums.

CIMIC has adopted a comprehensive, systematic and collective approach to hazard and risk management. By continuously monitoring and improving our performance, we ensure we remain competitive in the markets in which we operate.

A sustainable solution for the community

Travellers on the northern side of Hong Kong Island are benefitting from the completion in 2019 of the 4.5km Central - Wan Chai Bypass and Island Eastern Corridor Link (CWB), with key components delivered by Leighton Asia. Work on the two contracts included two bridges, 3.7km of cut-and-cover tunnels, tunnel buildings, realigning and reconstructing existing roads, fit out of the tunnels, plus the design, installation and commissioning of all tunnel services. The link is expected to cut travelling time between the eastern and western ends of Hong Kong Island from about half an hour to five minutes.

The link also brings benefits in terms of sustainability and environmental quality. The CWB scheme features the world's largest air purification system (APS) that can handle 5.4 million m^3 of vehicle exhaust per hour, removing at least 80% of key pollutants from roadside emissions and improving air quality. Large fans draw tunnel exhaust fumes into air purification plants in three ventilation buildings along CWB's tunnel. The air first travels through an Electrostatic Precipitator which separates harmful particulates and then passes through a De-nitrification Filter to remove nitrogen dioxide. Purified air is then discharged from the system.

CWB is not just a major highway connection, but a sustainable and strategic scheme to transform the existing crowded and polluted streets of Hong Kong's central business district. The project optimises the limited road surfaces available whilst bringing benefits to enhance the community's living quality. 80% of the CWB runs underground, which reduces obstruction of the view of Hong Kong Harbour. Extensive greening elements have also been added to the tunnel portal and the areas surrounding the CWB, improving the amenity of the area.

In 2019, 1 Level 1 incident was recorded (zero recorded in 2018) and 29 Level 2 incidents recorded (versus 14 in 2018).

Environmental incidents[88]	**2019**	**2018**	**2017**
Level 1 (#)	1	0	0
Level 2 (#)	29	14	10
Level 3 (#)	447	693	497
Environmental incident frequency rate (#/MhW)	0.20	0.09	0.06
Number of breaches (#)	32	21	15
Number of violations of legal obligations/regulations resulting in fines	18	5	4
Value of fines incurred ($)	307,538	21,379	38,200

Real-time noise monitoring at Mt Pleasant Operation
The Mount Pleasant Operation is a greenfield mine situated close to Muswellbrook in New South Wales, Australia. The site has strict operating conditions for noise management due to the mine's proximity to the local community.

To manage these challenges, Thiess utilises onboard fleet management technology and noise monitoring devices to identify in real-time key noise sources. Weather forecasting is also used to predict adverse weather conditions that may impact noise levels. This type of noise monitoring allows Thiess to quickly respond to elevated noise levels, minimising community impacts while maintaining productivity and regulatory compliance

CPB Contractors recorded 1 Level 1 incident which related to a prosecution for the WestConnex New M5 Project. After pleading guilty in October 2018, CPB Contractors was convicted in September 2019, in the NSW Land & Environment Court, for causing offensive odours to be emitted at the WestConnex M5 St Peters Interchange. The offences were committed on four occasions in April, May and June 2017 in the course of construction activities. Steps have now been taken to prevent those incidents reoccurring.

CPB Contractors has expressed its genuine and sincere apology to the community and residents for the odour. On 25 September 2019, CPB Contractors was ordered to: pay a total of $295,000 to the Environment Trust in lieu of a fine; pay the Environmental Protection Authority's investigation and legal costs; publish a notice of apology in various media outlets; and provide a notice to nearby residents.

CPB Contractors recorded 24 Level 2 incidents, mainly related to site discharges, clearing activities, extent of works and hours of works. CPB Contractors recorded 22 legal breaches for environmental incidents; 16 of these incidents - all on the Transmission Gully Project in New Zealand - incurred individual fines of NZ$750 per incident, all of which related to actual or potential site discharges. All incidents were investigated in accordance with environmental management processes and corrective actions were implemented.

In Leighton Asia, 2 legal breaches (recorded Level 2 incidents) were incurred for mosquito larvae breeding incidents in Singapore and Hong Kong. The incidents were investigated in accordance with Leighton Asia's environmental management processes and corrective actions were implemented to prevent a reoccurrence

UGL recorded 3 separate Level 2 incidents relating to uncontrolled offsite discharges at the Woodleigh Waterworks in Singapore. One of these incidents incurred a fine of A$1,000.

Zero Level 1 or Level 2 incidents were recorded at Thiess however there were 5 breaches which related to licence limit exceedances; 3 in Indonesia and 2 in Australia.

No Level 1 or Level 2 environmental incidents were reported at Sedgman.

The number of Level 3 incidents across the Group decreased from 693 in 2018 to 447 in 2019.

USE ENERGY EFFICIENTLY AND REDUCE EMISSIONS

CIMIC is committed to using energy efficiently, reducing our energy intensity, utilising renewables when efficient to do so and to minimising the emission of greenhouse gases. More effectively managing the earth's scarce resources is not only the right thing to do, but it also creates value by reducing operating costs.

In terms of total energy usage, Thiess' mining activities are the largest single driver, utilising substantial quantities of diesel fuel in the operation of haul trucks, excavators and ancillary equipment. Thiess continually seeks to innovate to find more efficient ways to

[88] Environmental discharges, environmental pollution or degradation which have: Level 1 - high severity impacts on the community and/or environment or may have irreversible detrimental long-term impacts; Level 2 - moderate severity impacts on the community and/or environment (1 to 3 months) but is fully reversible in the long term; Level 3 - low severity impacts on the community and environment in the short term (<1 month) and is fully reversible with no residual impacts. Includes nuisance level impacts.

deliver its services through optimising mine planning and operations, as well as equipment utilisation. Diesel, for use in construction, is a less substantial contributor to energy use, with petrol and other fuel sources making only relative minor contributions.

CIMIC's electricity consumption is primarily used to:

- power 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.

A smart approach to meter data collection

Energy utilities and meter-reader service providers are striving to get smarter about the collection and presentation of metering data. It's driven by both gaining efficiencies and providing consumers with better information.

Endeavour Energy is the operator of the electrical distribution network for Greater Western Sydney, the Blue Mountains, the Southern Highlands and the Illawarra region of New South Wales and has outsourced its field work to UGL. Endeavour and UGL staff have teamed up to form an alliance around energy meter reading utilising SevenX – an Android app – which delivers improved efficiency and quality outcomes for managing meter data collection.

With the old system, meter readers had to go back into the office to dock their reader and that would be the only opportunity to download the data. Data is now generated in real time from the handheld devices back to the servers, so it can be monitored and analysed more efficiently. There's no need for meter readers to come into the office, they can take their handheld device home with them, then head straight out into the field again the next day, thereby increasing their productivity. With the app, the alliance has realised a significant gain in efficiencies, saving both time and cost which is benefitting the customers of Endeavour Energy.

The Group's energy consumption and spend over the last three years was as follows:

Energy consumption	**2019**	**2018**	**2017**
Total Gigawatt hours (GWH)	10,647	10,846	8,790
Of which: Liquid, gas and solid fuel (%)	98.7	98.6	98.4
Non-renewable electricity (%)	1.2	1.3	1.6
Renewable electricity[89]	0.2	0.1	--
Energy spend ($m)	262	266	225

The Group is actively pursuing a range of energy efficiency initiatives that promote the delivery of energy efficient, environmentally and socially responsible projects.

An Australian first for West Gate

In Victoria, CPB Contractors is leading the industry, delivering a safe and sustainable tunnel lighting solution for Melbourne's West Gate Tunnel project. One of Victoria's largest ever urban road projects, it features three inter-related projects and includes a 2.8km eastbound tunnel and 4km westbound tunnel in Melbourne's inner west.

In consultation with EIC Activities, the project identified an alternative approach to the underground lighting design. Rather than installing the conventional high-pressure sodium (HPS) lights, two light-emitting diode (LED) light rows, or fluorescent bulbs, the project will instead install a single row of LED lamps. This shift in lighting design and materials will result in operational improvements long-term, including reduced energy consumption and improved longevity for ceiling lamps, while also maintaining the desired uniform light distribution.

Further environmental risks were minimised through refinements to tunnel ventilation systems. EIC Activities has worked collaboratively with CPB Contractors to come up with new design solutions that benefit both the client and the productivity of the project. The team recognised that installing wide, low-speed fans directly above the tunnel alignment would reduce noise and power usage which will benefit operations and the local community in the longer-term.

CIMIC is committed to reducing greenhouse gas emissions in response to the threat of climate change and adopts a number of approaches to do so including; seeking to boost energy productivity, reducing waste, rehabilitating degraded land, increasing the use of renewable energy and by driving innovation. Wherever possible, CIMIC Operating Companies work together with their clients and business partners to develop tailored solutions to reduce the emission from each of their bespoke projects.

Our Operating Companies use a range of systems to track and report on our energy use and calculate our greenhouse gas (GHG) emissions. For CIMIC, while absolute emissions generated are important, these are a function of activity levels and the work that is delivered on behalf of clients.

[89] CIMIC has only been reliably able to track renewable electricity purchases from 2018 onwards.

The majority (~92%) of the Group's Scope 1 emissions were generated by the consumption of diesel in the contract mining activities of Thiess. In 2019, total emission fell by 2%, this was less than the growth in revenue from mineral and mineral processing, which grew by more than 13%.

Scope 1 greenhouse gas emissions	**2019**	**2018**	**2017**
Total (kt.CO2-e)	2,634	2,689	2,202

CIMIC's Scope 2 GHG emissions are almost entirely derived from the consumption of purchased electricity. The main areas where electricity is consumed were outlined on the previous page.

Scope 2 greenhouse gas emissions	**2019**	**2018**	**2017**
Total (kt.CO2-e)	122	125	128

Scope 1 and Scope 2 emissions are broadly a function of the Group's mining and construction activity levels. The efficiency of the energy used, either liquid fuel or electricity, is managed carefully by CIMIC. Not only because of the impact on the climate, but because it can assist in lowering costs and improving profitability. This efficiency focus is good for the environment and good for business.

Given the impact of activity levels, CIMIC's preferred performance measure is emissions intensity, which is based on the total of both Scope 1 and Scope 2 emissions (in kt. Co2-e) divided by revenue (in $m). Given the diversified nature of the Group's activities, and their very different energy usage profiles, CIMIC believes that measuring emissions intensity by activity provides an appropriate – and comparable - metric.

CIMIC is committed to a target of achieving annual reductions in the emissions intensity of all three of the Group's primary business activities - Mining and Minerals Processing, Construction, and Services.

Scope 1 and Scope 2 greenhouse gas emissions intensity (kt. CO2-e/$m)	**2019**	**2018**	**2017**
Mining and minerals processing	0.56	0.62	0.64
Construction	0.04	0.04	0.04
Services	0.01	0.01	0.01

The gradual reduction in emission intensity in the Mining and Minerals Processing business over the last three years reflects an ongoing focus on improving the efficiency of energy usage, particularly diesel. The Construction business is much less emissions intense than the Mining business, but its energy usage depends on what types of projects it is delivering (i.e. excavating a tunnel versus building a hospital). The Services business has an even lower emission intensity and is largely focused on improving the efficiency of electricity usage which is its largest contributor to emissions.

CIMIC will also work, with clients, to develop energy and emissions targets that are relevant to those individual projects.

Certified: Adelaide's Torrens Road to River Torrens Project

The Torrens Road to River Torrens Project (T2T) in northern Adelaide has achieved a 'Leading' As Built IS Rating, the highest possible. The project featured a number of sustainability initiatives which contributed to the achievement of the 'Leading' rating. These included a 49% reduction in the amount of carbon emissions produced when compared to a business-as-usual base case. This equates to saving more than 43,000 tonnes of carbon from entering the atmosphere. This was achieved through:

- the use of reclaimed asphalt - more than 50% of the 50,000 tonnes of asphalt pavement was reclaimed;
- innovative design of the retaining wall using soil nails, which reduced the amount of concrete and steel; and
- reductions in bridge deck area due to a symmetrical design.

The project also scored highly for its treatment of waste with spoil, construction and demolition waste, and office waste all recycled to the highest industry benchmarks. In addition, the project featured some ecology initiatives including the:

- Use of five basins for water treatment, including swales, which encouraged natural regrowth, and
- Installation of possum boxes which improved local biodiversity.

Scope 3 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 emissions are largely a function of the materials used by the Group in construction. While CIMIC will try to reduce Scope 3 emissions where possible, the choice of materials is very often driven by the demands of clients (both in terms of the type of projects awarded and the contractual terms), compliance with industry standards, and the requirements of consulting engineers and designers. For these reasons, while CIMIC will - for example - try to select lower emission materials (such as geopolymer concrete) this is not always possible and our attempts to reduce the emissions embedded in construction materials remain dependant on satisfying the demands of our clients.

Scope 3 greenhouse gas emissions (kt.CO2-e)	**2019**	**2018**	**2017**
Total (kt.CO2-e)	1,143	1,000	1,653

In 2019, CIMIC's Scope 3 emission increased by 14%, primarily reflecting an increase in the amount of materials used and a substantial reduction in the amount of waste generated.[90]

As a substantial energy user and greenhouse gas emitter, CIMIC is registered to report under the NGER[91] scheme. Energy use and emissions data is collected for all projects and sites irrespective of the operational control status and reported as required. The Group has comprehensive measures in place to manage its NGER obligations for reporting in Australia including:

- having established legal review processes to identify operational control status at the tender and contract stages;
- utilising Group-wide reporting systems to manage all data; and
- having the Group's data and processes subjected to annual external assurance audits.

The Group has reported the following aggregated emissions and energy usage data under the NGER Scheme based on its Australian operations and for those facilities where the Group has operational control.

Greenhouse gas emissions and energy consumption	**Total Scope 1 emissions (t CO2-e)**	**Total Scope 2 emissions (t CO2-e**	**Total Net energy consumed (GJ)**
2018/19	134,974	82,089	2,297,710
2017/18	128,057	113,591	2,336,472
2016/17	68,295	53,534	1,233,835
2015/16	50,639	32,910	884,558
2014/15	77,412	72,142	1,434,467

EY signed off on the preparation of CIMIC's Energy and Emissions Report, again providing a limited assurance audit for the 2018/2019 NGER data as requested.

REDUCE WASTE

CIMIC is committed to using resources efficiently, encouraging recycling and taking a lifecycle approach to waste management on projects. This often means reducing waste through smarter design and procurement and seeking opportunities for recycling or reuse.

Reusing and recycling materials on the West Gate Tunnel Project

The CPB Contractors' team delivering construction works on the West Gate Tunnel project in Melbourne is committed to reusing and recycling materials whenever possible. They were recently able to further minimise their environmental footprint by donating materials to support Wildlife Victoria.

They were able to put to good use off-cuts from the Flowering Gum and Sheoak growing on the site that would otherwise been disposed of as a result of construction activities. These off-cuts have proven to be valuable fresh food sources for injured native animals and the team were able to help share them with various local wildlife organisations.

In recent years, the Group has generated a significantly increased amount of spoil - or waste earth and rock - that needs to be disposed of due to an increase in tunnelling activity. Much of the spoil generated from the large tunnelling projects being undertaken in Sydney and Melbourne is transported to other infrastructure and construction projects where it is re-used as fill - to create level areas.

In 2019, generated a total of 8,438,989 tonnes of waste, of which more than 78.6% was diverted - mainly for reuse - and only ~4.2% (v 1.4% in FY18) was disposed of in a landfill.

Waste generation (tonnes)	**2019**	**2018**
Disposed - landfill	353,976	188,121
Disposed - other	1,450,400	440,653
Diverted - reuse	5,464,433	10,677,213
Diverted - recycling	1,169,803	1,820,119
Diverted - other	377	862
Total	**8,438,989**	**13,126,968**

[90] The substantial reduction in emissions from 2017 to 2018 reflects a change in the materials emission factors used at CPB Contractors and an overstatement of emission generated by landfill, waste and steel in 2017 by UGL. These changes were reported in the 2018 Sustainability Report.
[91] 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.

During 2019, the Group recycled 28,301 tonnes of concrete which avoided this material being sent to landfill.

Recycling concrete on the Pacific Motorway Upgrade
CPB Contractors has been upgrading a 12km section of the M1 Pacific Motorway, located about two hours north of Sydney's CBD. The upgrade, which commenced in 2017, was designed to widen the M1 to three lanes in each direction, replace cracked concrete pavements with smoother, quieter, asphalt and to improve safety.

Concrete recycling is a feature of the project with the existing concrete pavement being removed and then crushed within the work area. Processing on site reduces the number of truck movements required around the project. The crushed concrete is then recycled for use in the new road foundation. More than 200,000 tonnes of concrete have been recycled and reused in the delivery of this important infrastructure project.

During the year, the Group generated 73,211 tonnes of hazardous waste. The Group's Operating Companies generated relatively small amounts of hazardous waste which are diverted for reuse/recycling where possible and, if this is not possible, disposed of as per regulatory requirements. These waste streams typically include:

- 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 generated (tonnes)	2019	2018
Group	73,211	91,505

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

Minimising water usage and implementing opportunities for water efficiency and recycling is an important commitment for CIMIC. The Group's projects - be they construction, mining or services - can often be substantial users of water. Water is often used for dust suppression on construction and mining projects, in the operation of minerals processing plants (such as coal handling preparation plants) and for the washing down and cleaning of different types of equipment.

Opportunities to conserve or reduce water use, and to increase the use of recycled water, are positive for the environment but also help save on costs when water must be procured.

Thiess continues to support the International River Foundation
Thiess is a founding member of the International River Foundation (IRF) that promotes the restoration, protection, sustainable management and resilience of the world's rivers. In 2019, the Foundation marked its 20th anniversary of the awarding of the International Riverprize. This prize recognises and rewards organisations who ensure the sustainable management of the world's rivers, whether at the grassroots or transboundary level. Thiess is proud to maintain a long-standing relationship with the IRF who champion integrated river basin management for the restoration, protection and sustainable management of the world's rivers
.

Each project develops an environmental management plan which integrates specific water management plans. The plans recognise the unique conditions of that project so they can be effectively managed. Water management plans address:

- the environmental values of the surrounding environment;
- potential water requirements and sources; and
- the regulatory commitments and landholder obligations that a particular project must meet.

The plans systematically address all of the risks associated with water management on the project and identify the 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.

Thiess' global approach to dam governance
Thiess has developed a bespoke dam governance framework to manage dams globally. The framework provides an overview of how to record, assess and manage dams with the key objective of keeping Thiess' people, assets and the environment safe. The framework is used to develop a risk profile for each dam to ensure appropriate controls are in place to manage any identified risks.

Assessments have been completed on all Thiess' dams globally, with further investigations - in line with framework requirements - planned for 2020. Thiess is also an active member on advisory committees relating to dam management ensuring the dam governance framework remains in line with leading industry practice.

During 2019, the Group withdrew 17.2 million kilolitres of water and discharged more than 11.6 million kilolitres which led to a substantial variation compared to the prior year. The significant amount of water discharged in 2018 relates to pit dewatering activities at the Senakin coal mine in Indonesia where mining recommenced that year. This meant that the open cut pits, which were holding a significant amount of water, had to be pumped out resulting in significant discharge volumes.

Water usage and consumption[92]	**2019**	**2018**
Withdrawals (ML)	17,188	8,121
Discharge (ML)	(11,567)	(9,022)
Consumption (ML)	**5,621**	**(901)**
Recycled-reused (ML)	4,313	9,200
Recycled-reused (%)	20.1	53.1

Drought conditions in Australia led to an increase in water use for dust suppression in the Australia Mining business.

The Group will seek opportunities where possible to recycle or reuse water and, in 2019, 4.3 million kilolitres was sourced in this way. This generated a recycling-reuse percentage of 20.1%.

The Group's withdrawals were primarily sourced from rainwater and rivers, wastewater from other organisations, renewable groundwater and mains supply.

Withdrawals sources (%)	**2019**	**2018**
Fresh surface water, including rainwater, water from wetlands, rivers and lakes	69	44
Brackish surface water/seawater	0	3
Groundwater - renewable	15	17
Groundwater - non-renewable	1	9
Third-party sources	15	27

Discharges were primarily made to rivers, marine environments, and industrial wastewater treatment plants and public utilities.

Discharge destinations (%)	**2019**	**2018**
Fresh surface water, including rainwater, water from wetlands, rivers and lakes	>99	86
Groundwater - renewable	0	6
Brackish surface water/seawater	0	7
Third-party destinations	<1	1

USE MATERIALS EFFICIENTLY AND REDUCE IMPACT

Innovation is one of the Group's Principles and, by continually seeking to innovate to improve the efficiency of resources used, CIMIC can reduce its impact on the environment and society while also lowering costs. This can be a win for clients who are increasingly seeking sustainable solutions and provides an opportunity for CIMIC to improve its value proposition.

In 2019, the Group's Operating Companies procured nearly 6.7 million tonnes of construction materials.

Material use (kilotonnes)	**2019**	**2018**
Quantity	6,751	4,295

The quantities of construction materials purchased - the bulk of which are concrete, steel, asphalt and to a lesser extent timber, is split as follows:

Quantities (%)	**2019**	**2018**
Concrete	83	88
Steel	2	3
Asphalt	15	8
Timber	<1	<1
Glass	<1	<1

[92] These water disclosures for withdrawals, discharges and consumption align with the 'CDP Technical Note on Water Accounting', CDP Water Security 2018.

New stations built using 100% responsibly sourced timber

The station canopies and multi-story parking façades on the Sydney Metro Northwest project have been constructed with 100% responsibly sourced timber. The wood used at seven stations has been certified under the Programme for the Endorsement of Forest Certification (PEFC) and Responsible Wood (RW) Chain of Custody Project Standards, and one additional station has been certified with a Forest Stewardship Council® (FSC®) Partial Project Certificate. Additionally, the timber used on four multi-story parking structures, with space for more than 4,000 vehicles, has also been certified as responsibly sourced under the PEFC and RW Project Standards. The Sydney Metro Northwest project - which opened to customers in May 2019 - is the first project of its kind to earn a responsible timber project certification.

CPB Contractors, part of the joint venture that constructed the Metro, sourced timber from FSC and RW certified forests in New South Wales. They also tracked the material through the primary saw mills and timber wholesalers to the fabricators and installers of the timber batten ceilings and façades. Independent, third-party certification was conducted to ensure that the timber was sourced from responsibly managed forests, and that transparency has been maintained throughout the supply chain.

Materials made up approximately 20% of the Group’s total expenses in 2019 (versus 21% in 2018). Detail on the Group’s other expense items can be found in ‘Note 3. Expenses’ in the Financial Report section of the Annual Report.

An Australian first for CPB Contractors

In Brisbane, Queensland, CPB Contractors in partnership with Transurban Queensland and the Queensland State Government has delivered the Logan Enhancement Project which includes widening sections of the Logan and Gateway motorways, improving key congestion hot spots and constructing on and off-ramps on the Gateway Motorway. CPB Contractors has marked an Australian first on this project, using an innovative EME2 (Enrobé a Module Élevé Class 2) asphalt product that increases paving durability, despite requiring a lower volume of the product in comparison to regular asphalt. Selected for its high strength and resistance attributes, more than 206,000 tonnes of the combined base and binder asphalt was applied to the Queensland roads project. The Infrastructure Sustainability Council of Australia (ISCA) has since verified that this is the single largest commercial use of EME2 in Australia.

The use of this new material is another example of CPB Contractors’ commitment to sourcing innovative and environmentally sustainable solutions for projects. EME2 can potentially reduce the layer thickness of the base course for a heavily trafficked pavement by up to 30% depending on traffic conditions and local climate, delivering construction program savings. Longer-lasting pavement solutions and more durable design will pay dividends by reducing the frequency of road resurfacing in years to come. Innovations like this are contributing to the broader market transformation of sustainable road construction by minimising future road maintenance and disruption for vehicles.

PROTECT BIODIVERSITY

CIMIC’s construction, mining and mineral processing, and operations and maintenance activities have the potential to impact on the natural habitat and its biodiversity. CIMIC is committed to minimising any disturbances and avoiding impacts on habitats and ecology where possible, and to promoting biodiversity.

We plan activities to avoid environmental impacts to habitats, especially sensitive locations, during the design and planning phases of our diverse infrastructure, resources and property projects. 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 including the development of biodiversity management plans that consider local contexts, baseline surveys, monitoring results and specialist advice.

The rehabilitation of disturbed areas remains an integral element of dealing with biodiversity on our construction, mining and services projects. Rehabilitation is especially important in mining and typically involves progressively reshaping disturbed areas, establishing erosion control structures, and topsoiling and seeding. We seek to ensure that disturbed areas are rehabilitated so that they 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	183.9	96.0	62.5
Asia/Africa/Americas	340.2	223.6	0
Total	**524.1**	**319.6**	**62.5**

Industry-leading rehabilitation in the Hunter Valley
Thiess is committed to utilising the latest technology to create natural rehabilitated landforms and ensure the delivery of industry-leading results for the environment and community. At its Hunter Valley operations, Thiess is utilising Geofluv, a new approach to rehabilitation designs that aims to rehabilitate the land to a more natural function and appearance.

Due to these operations' proximity to local communities, the environment team is committed to developing landform approaches that are effective visual and noise barriers. Rehabilitation includes establishing grassy woodland, with native grass, trees, shrubs, and incorporates rock piles and stands of tree hollows to encourage fauna return. Stabilising soil, minimising dust and noise impacts, and providing a visually appealing landscape is an absolute priority.

BUILD RESILIENCE TO CLIMATE RISKS

Operating sustainably provides CIMIC with opportunities – to be part of the solution to help address the climate change challenge and to expand our operations as a trusted partner to clients and other stakeholders seeking to transition to a low-carbon future.

We have clear approaches in place in relation to climate change. This encompasses dedicated businesses focused on driving the opportunities in our sectors for the benefit of our clients, partners, suppliers, communities and shareholders, and robust governance and management of climate-related risks.

The former includes a range of construction, services and technology opportunities from remediation work and increased investments by clients as they seek greater resilience to the potential effects of climate change. We have a strong competitive position delivering sustainably rated buildings and infrastructure projects, which now account for more than 20% of our revenue, and demand for these types of projects is expected to continue to grow.

In addition, our mining services and minerals processing expertise will increasingly be applied to supporting the extraction of emerging resources such as lithium, cobalt, manganese, nickel, graphite and rare earths for use in alternative energy technologies.

While global demand for thermal coal is forecast to remain relatively stable for the foreseeable future (to 2040), a significant portion of our secured work in mining and minerals processing is diversified across other commodities such as metallurgic coal (for steel making), iron ore, copper and gold. In 2019, thermal coal generated approximately 13% of the Group's revenue.

In terms of emissions reduction, our aim is to work together with our clients and partners to find ways to operate more effectively and efficiently in delivering services, while boosting energy productivity, reducing waste, rehabilitating degraded land, increasing the use of renewable energy and driving innovation. Our target is to achieve annual reductions in the emissions intensity of each of our three primary business activities – Mining and Minerals Processing, Construction, and Services.

We welcome the work of the Task Force on Climate-related Financial Disclosures (TCFD), to increase transparency around the response of businesses to climate change. This year, we have drafted our first standalone CIMIC Climate Change Report, based on the TCFD framework, which we expect to make available on our website in 2020. We will continue to regularly review our operations and provide a regular update on how CIMIC Group is tackling climate change in our annual Sustainability Report.

OUTLOOK AND FUTURE PLANS

We are committed to, wherever possible, preventing or otherwise mitigating and remediating any harmful effects from our operations. In 2020, we plan to:

- seek opportunities - tailored to each of the Group's Operating Companies and projects - to increase the use of renewables, and to reduce energy usage and intensity;
- continue to focus on initiatives to report on and reduce GHG emissions;
- continue to recycle concrete where possible and to reduce the amount of waste going to landfill;
- seek opportunities - tailored to each of the Group's Operating Company and projects - to reduce water usage and water intensity;
- publish the recommended disclosures of the TCFD which will be made available 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; and
- further develop and improve support tools and processes to integrate sustainability on infrastructure projects.

OUR AWARDS

SUSTAINABILITY

CIMIC

- 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.
- DJSI again recognised CIMIC with inclusion in the DJSI Australia Index, the only construction and engineering company to be included. CIMIC was identified as a construction and engineering sector global leader in two categories; 1. Building Materials, and 2. Resource Conservation and Resource Efficiency.
- CDP again acknowledged CIMIC with a 'C' rating for its 'Climate Change' submission which indicates that CIMIC has "Knowledge of impacts on, and of, climate change issues"[93].

SAFETY

CPB Contractors

- Recognised – along with Pacific Partnerships - with the '3M best use of New Zealand design/technology' award in the New Zealand Workplace Health and Safety Awards for an in-crane GPS warning system on the Transmission Gully project.

Leighton Asia

- Received 'Proactive Safety Contractor Award 2019' from the Hong Kong Construction Association (HKCA).
- Received 'Silver Safety Award' at the MTR QSE Award Scheme for Shatin to Central Link 1112 in Hong Kong.
- Received 'Safe Project Team 2019 Highly Commended Award' at the Lighthouse Club (LHC) Contractors' Safety Awards for the Shatin to Central Link 1123 Exhibition Station and Western Approach Tunnel in Hong Kong.
- Received 'Safe Project Team 2019 Commended Award' at the LHC Contractors' Safety Awards for the Black Point Power Station Combined Cycle Gas Turbine project in Hong Kong.
- Received CLP's 'Zero Recordable Injury Incident' for the Black Point Power Station Combined Cycle Gas Turbine project in Hong Kong.
- Recognised with a Gold Award at the 2019 Royal Society for Prevention of Accidents Awards for the Deep Tunnel Sewerage System Phase 2- Contract T-09 in Singapore.
- Received Singapore's inaugural 'Public Utilities Board Safety Recognition Award' for the Deep Tunnel Sewerage System Phase 2- Contract T-09.
- Lai Kwai Ping, Supervisor, and Andy Fong, Safety Supervisor in Hong Kong, were recognised by the Airport Authority's Safety Recognition Scheme 2018/ 2019 with the 'Role Model Safety Behaviour Award' and 'Best Safety Supervisor Award' respectively.
- Stephen Bennet, Project Director, and Billy Siu, Supervisor in Hong Kong, were recognised by the HKCA with the 'Safe Person-in-charge Award' and 'Safe Supervisors Award' respectively.
- Josh Liu, Construction Manager in Hong Kong, was recognised by the Airport Authority's Safety Recognition Scheme 2018/2019 with the 'V Commit Contractors Manager Diamond Award'.
- Gurung Prakash, Scaffold Ganger in Hong Kong, was recognised by the Occupational Health and Safety Council's Construction Safety Promotional Campaign with the 'Outstanding Work at Height Worker'.

INTEGRITY

CPB Contractors

- Awarded the 'Social Procurement Partnership of the Year' at the 2019 Social Traders Awards for an innovative partnership between Metro Tunnel Project's Rail Systems Alliance (RSA) in Victoria and Kinfolk Enterprise.

Leighton Asia

- Commended for giving back to the community in Hong Kong through The Community Chest's Corporate Volunteer Matching Scheme at its Corporate and Employee Contribution Program 2018/19 awards.

Thiess

- Finalist in the 'Best Company Indigenous Procurement Initiative' at the Queensland Resources Council (QRC) Indigenous Awards for their Indigenous Networking Breakfast.
- Finalist in the 2019 Australian Mining Prospects Awards in the category of 'Community Interaction' for its commitment to building skills and opportunities for inmates in New South Wales' Hunter Valley.

---

[93] CDP's 2019' Climate Change Basic Performance Review Report', 22 Jan 2020.

CULTURE

CIMIC

- LinkedIn ranked CIMIC Group as number seven on its 'Top Companies 2019: Where Australia wants to work now' list.
- Ranked 32nd in the Financial Review's Top 100 Graduate Employers survey which lists the most popular firms for graduates.
- CIMIC's CEO and all Australian-based Operating Company Managing Directors recognised as WGEA Pay Equity Ambassadors.

CPB Contractors

- Awarded the 'Pride in Diversity and Social Inclusion Award' in recognition of commitment, investment and achievement in diversity and social inclusion at South Australia's Civil Contractors Federation (SACCF) Excellence Awards.
- Nichole Fynnaart, Senior Document Controller, was recognised with a 'Quiet Achiever Award' for her dedication and proactive approach to document control at the SACCF Excellence Awards.
- Papua Taumate, Graduate Engineer, was recognised as the 'Young Engineer of the Year' at the 2019 Civil Contractors New Zealand Awards.
- Katherine Brewis, Project Manager, was appointed to Roads Australia's 2020 National Fellowship Program.

Thiess

- Pedro Sanhueza Soto, Thiess Graduate Mining Engineer, won the University of Chile's Juan Bruggen Award.

Leighton Asia

- Received a Bronze Award from the Hong Kong Government for 'Contractor Hiring the Most Number for Construction Industry Council (CIC) Graduates.'
- Commended by the Construction Industry Council (of Hong Kong) as a 'Contractor Actively Participating in Cooperative Training Schemes.'
- Tam Kit Choi, Building Engineer in Hong Kong, was recognised by the Sir Edward Youde Memorial Fund 2018/19 with the 'Award for Self-Improvement for Working Adults.'

INNOVATION

CPB Contractors

- Winner of the Infrastructure Partnerships Australia (IPA) 'Industry Choice Award' for the Caulfield to Dandenong Level Crossing Removal Project.
- Winner of the IPA 'Government Partnerships Excellence Award' for the Caulfield to Dandenong Level Crossing Removal Project.
- Finalist in the IPA 'Project for the Year Award' for the Caulfield to Dandenong Level Crossing Removal Project.
- Finalist in the IPA 'Contractor Excellence Award' for the Caulfield to Dandenong Level Crossing Removal Project.
- Finalist in the IPA 'Government Partnerships Excellence Award' for the Canberra Light Rail project.
- Winner of ISCA's 'Organisational Leadership in Infrastructure Sustainability Award' (Private Sector)
- Winner of ISCA's 'IS Innovation and Impact Award' for the Caulfield to Dandenong Level Crossing Removal Project.
- Finalist in ISCA's 'IS Innovation and Impact Award' for the Sydney Metro Northwest – Operations, Trains and Stations.
- Winner of ISCA's 'Outstanding Achievement in Infrastructure Sustainability Award (Design)' for the Sydney Metro City & Southwest Tunnel and Station Excavation Works.
- Nominated as a Finalist in the 2020 Australian Construction Achievement Award for the Caulfield to Dandenong Level Crossing Removal Project and for the Sydney Metro Northwest (the Operations, Trains and Systems (OTS) contract).
- Winner of a Master Builders Australia National Excellence Award (MBANEA) in the category of 'National Civil / Infrastructure Award - Over $25m' for the Caulfield to Dandenong Level Crossing Removal Project.
- Winner of the MBANEA in the category of 'National Health Facility Award' for the new Northern Beaches Hospital.
- Bjorn Eilande acknowledged with a 'High Commendation' in the category of 'Commercial Construction: $50 million plus' for the APEC Haus development in Papua New Guinea in the AIB Building Professional Excellence Awards of Queensland.

Broad Construction

- Chris Owen recognised as the '2019 Western Australia Building Professional of the Year' and in the category of 'Residential Construction: $50 million plus' for the Campus Perth development in the Australian Institute of Building (AIB) Professional Excellence Awards for Western Australia.
- Nigel Smith acknowledged with a 'High Commendation' in the category of 'Residential Construction: $50 million plus' for the Claremont on the Park development in the AIB Professional Excellence Awards of Western Australia.

Leighton Asia

- Selected as one of the Top 100 Companies in the New Civil Engineer's (NCE) Power List which recognises the most forward-thinking and innovative firms operating in civil engineering.
- Winner of the NCE 'Construction Innovation award' for its innovative approach in the construction of the Hong Kong-Zhuhai-Macao Bridge Passenger Clearance Building project.

UGL

- Winner of the IPA 'Innovation Excellence Award' for the Uninterruptible Power Supply for Melbourne's Railway Signalling Network.
- Awarded, along with its partners, the 'Engineering Team of the Year' Gold Commendation by the Royal Australian Navy's Capability Acquisition and Sustainment Group for work on the Navy's Landing Helicopter Dock Landing Craft.
- Nominated as a Finalist in the 2020 Australian Construction Achievement Award for the Caulfield to Dandenong Level Crossing Removal Project and for the Sydney Metro Northwest (the Operations, Trains and Systems (OTS) contract).

Pacific Partnerships

- Recognised with an Excellence Award, along with CPB Contractors and other ShapED consortium partners, by the Property Council New Zealand at the Property Industry Awards 2019 for the Te Ao Marama School in Hamilton. The Matua Ngaru School and the Te Uho o te Nikau Primary School in Auckland received Merit Awards.
- Finalist in the IPA 'Project for the Year Award' for the Canberra Light Rail project (included CPB Contractors and UGL).

EIC Activities

- Micah Fountain, Graduate Engineer, was awarded the Railway Technical Society of Australasia's 'Railway Engineering Student Thesis Award' for 2019.

ENVIRONMENT

Leighton Asia

- Received 'Hong Kong Green Organisation Certification' for the Hong Kong-Zhuhai-Macao Bridge Passenger Clearance Building project.

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	Annual Report section, Page number/s and/or URL	Application level / omission
	Universal standards		
	General Disclosures		
102-1	Name of the organisation	Shareholder information (SI), www.cimic.com.au	●
102-2	Activities, brands, products, and services	Operating and Financial Review (OFR), www.cimic.com.au	●
102-3	Location of headquarters	Shareholder information (SI), www.cimic.com.au	●
102-4	Location of operations	Introduction (intro), www.cimic.com.au	●
102-5	Ownership and legal form	Financial Report (FR), www.cimic.com.au	●
102-6	Markets served	OFR, www.cimic.com.au	●
102-7	Scale of the organization	OFR, FR, 66 - 67, 89	●
102-8	Information on employees and other workers	66, 89 - 103	●
102-9	Supply chain	82 - 84	◑
102-10	Significant changes to the organization and its supply chain	OFR, 82 - 84	◑
102-11	Precautionary Principle or approach	Code, Sustainability Policy, Environmental Policy, 118	●
102-12	External initiatives	63, 90, Group Policies	●
102-13	Membership of associations	114	●
	Strategy		
102-14	Statement from senior decision-maker	Executive Chairman's review, CEO's review	●
102-15	Key impacts, risks, and opportunities	OFR, 63 - 65	●
	Ethics and integrity		●
102-16	Values, principles, standards, and norms of behaviour	62, Group Policies, Code	●
102-17	Mechanisms for advice and concerns about ethics	79 - 80, Code, Ethics Line[94]	●
	Governance		
102-18	Governance structure	2019 Governance Statement, Corporate Governance[95]	●
102-19	Delegating authority	Corporate Governance	●
102-20	Executive-level responsibility for economic, environmental, and social topics	2015 Sustainability Report, www.cimic.com.au	●
102-21	Consulting stakeholders on economic, environmental, and social topics	63 - 65	●
102-22	Composition of the highest governance body and its committees	Directors' Report, 2019 Governance Statement	●
102-23	Chair of the highest governance body	Directors' Report, 2019 Governance Statement, www.cimic.com.au	●
102-24	Nominating and selecting the highest governance body	2019 Governance Statement	●
102-25	Conflicts of interest	Directors' Report, 2019 Governance Statement, www.cimic.com.au	●
102-26	Role of highest governance body in setting purpose, values, and strategy	2019 Governance Statement, Board & committee charters[96]	●
102-27	Collective knowledge of highest governance body	2019 Governance Statement	●
102-28	Evaluating the highest governance body's performance	2019 Governance Statement	●
102-29	Identifying and managing economic, environmental, and social impacts	2019 Governance Statement, Board & committee charters	●

[94] The CIMIC Group Ethics Line can be accessed at: http://www.cimic.com.au/ethics-line.
[95] The Group's approach to Corporate Governance can be accessed at: http://www.cimic.com.au/our-approach/corporate-governance.
[96] The Board and Committee Charters can be accessed at: http://www.cimic.com.au/our-approach/corporate-governance.

	GRI Standard	Annual Report section, Page number/s and/or URL	Application level / omission
102-30	Effectiveness of risk management processes	2019 Governance Statement, Board & committee charters	●
102-31	Review of economic, environmental, and social topics	68 - 127, 2019 Governance Statement, Board & committee charters	●
102-32	Highest governance body's role in sustainability reporting	62, Director's Report, 2019 Governance Statement, Board & committee charters	●
102-33	Communicating critical concerns	79 - 80, 2019 Governance Statement, Board & committee charters	●
102-34	Nature and total number of critical concerns	80, 2019 Governance Statement, Board & committee charters	●
102-35	Remuneration policies	Remuneration Report	●
102-36	Process for determining remuneration	Remuneration Report	●
102-37	Stakeholders' involvement in remuneration	Remuneration Report, 2019 AGM Results[97]	●
102-38	Annual total compensation ratio	Remuneration Report, 103	●
102-39	Percentage increase in annual total compensation ratio	Remuneration Report, 103	●
	Stakeholder engagement		
102-40	List of stakeholder groups	63 - 65, 106 - 107	●
102-41	Collective bargaining agreements	92	●
102-42	Identifying and selecting stakeholders	63 - 65, 106 - 107	●
102-43	Approach to stakeholder engagement	63 - 65, 79, 85, 88	●
102-44	Key topics and concerns raised	63 - 65, 80, 106 - 107	●
	Reporting practice		
102-45	Entities included in the consolidated financial statements	62, Financial Report	●
102-46	Defining report content and topic Boundaries	62	●
102-47	List of material topics	63 - 65	●
102-48	Restatements of information	65, 66 - 67, Operating and Financial Review, Financial Report	●
102-49	Changes in reporting	62, Operating and Financial Review, Financial Report	●
102-50	Reporting period	62, Operating and Financial Review, Financial Report	●
102-51	Date of most recent report	Operating and Financial Review, Financial Report	●
102-52	Reporting cycle	62, Operating and Financial Review, Financial Report	●
102-53	Contact point for questions regarding the report	Justin Grogan, EGM Investor Relations & Sustainability	●
102-54	Claims of reporting in accordance with the GRI Standards	62	●
102-55	GRI content index	131 - 135	●
102-56	External assurance	Not externally assured	◎
	Management Approach		
103-1	Explanation of the material topic and its Boundary	63 - 65 (see references to sections of Annual Report)	●
103-2	The management approach and its components	63 - 65 (see references to sections of Annual Report)	●
103-3	Evaluation of the management approach	62 - 65 (see references to sections of Annual Report)	●
	Economic Topic-specific Disclosures		
	Economic performance		
201-1	Direct economic value generated and distributed	106 - 107	●

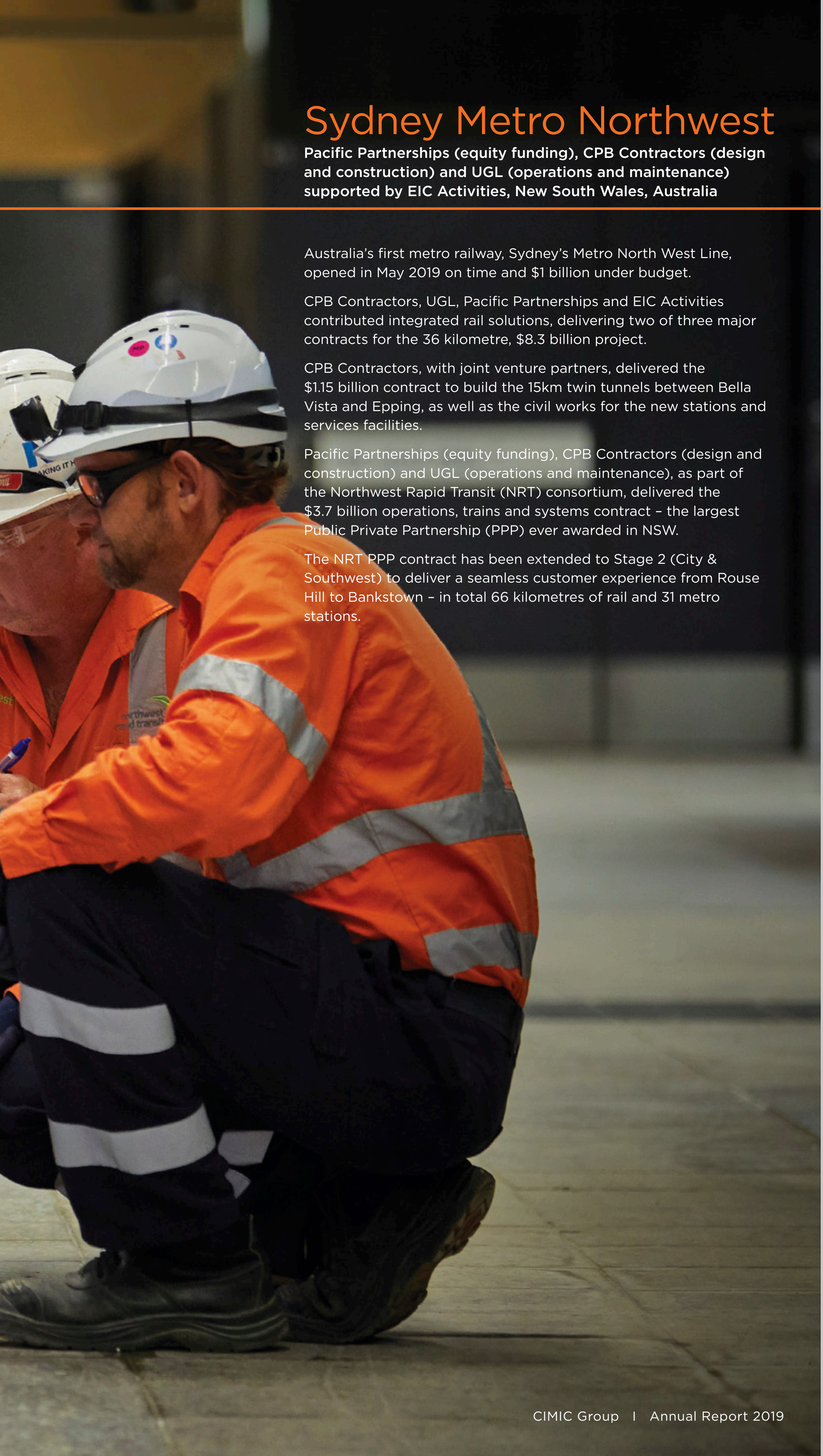
[97] The results of the 2019 AGM (held 11 April 2019) can be accessed at: https://www.cimic.com.au/en/investors/asx-announcements.

	GRI Standard	Annual Report section, Page number/s and/or URL	Application level / omission
201-2	Financial implications and other risks and opportunities due to climate change	2015 Sustainability Report, 2016 Sustainability Report, 2017 Sustainability Report, 110 – 111 and 120 – 121 of 2018 Sustainability Report	◕
201-3	Defined benefit plan obligations and other retirement plans	103	●
201-4	Financial assistance received from government	81 - 82	●
	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	101 - 102	◕
	Indirect Economic Impacts		
203-1	Infrastructure investments and services supported	63, 106 - 107	●
203-2	Significant indirect economic impacts	106 - 107	●
	Procurement Practices		
204-1	Proportion of spending on local suppliers	Not disclosed	◎
	Anti-corruption		
205-1	Operations assessed for risks related to corruption	78 - 79	●
205-2	Communication and training about anti-corruption policies and procedures	66, 80 - 81	●
205-3	Confirmed incidents of corruption and actions taken	80	●
	Anti-competitive Behaviour		
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	82	●
	Environmental Topic-specific Disclosures		
	Materials		
301-1	Materials used by weight or volume	125 - 126	●
301-2	Recycled input materials used	123 – 125	◕
301-3	Reclaimed products and their packaging materials	123 - 125	◑
	Energy		
302-1	Energy consumption within the organization	67, 121	●
302-2	Energy consumption outside of the organization	67, 121	●
302-3	Energy intensity	67, 121	●
302-4	Reduction of energy consumption	67, 121	●
302-5	Reductions in energy requirements of products and services	67, 121	●
	Water and Effluents		
303-1	Interactions with water as a shared resource	124 - 125	●
303-2	Management of water discharge-related impacts	124 - 125	●
303-3	Water withdrawal	67, 124 - 125	●
303-4	Water discharge	67, 124 - 125	●
303-5	Water consumption	67, 124 - 125	●
	Biodiversity		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	126 - 127	◑
304-2	Significant impacts of activities, products, and services on biodiversity	126 - 127	◕
304-3	Habitats protected or restored	126 - 127	●
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	67, 122 - 123	●
305-2	Energy indirect (Scope 2) GHG emissions	67, 122 - 123	●
305-3	Other indirect (Scope 3) GHG emissions	67, 122 - 123	●
305-4	GHG emissions intensity	67, 122 - 123	●
305-5	Reduction of GHG emissions	67, 122 - 123	●
305-6	Emissions of ozone-depleting substances (ODS)	67, 122 - 123	◑

	GRI Standard	Annual Report section, Page number/s and/or URL	Application level / omission
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	124 - 125	◑
306-2	Waste by type and disposal method	123 - 124	●
306-3	Significant spills	67, 119 - 120, Directors' Report	●
306-4	Transport of hazardous waste	124	●
306-5	Water bodies affected by water discharges and/or runoff	119 - 120	●
	Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	67, 119 - 120, Directors' Report	●
	Supplier Environmental Assessment		
308-1	New suppliers that were screened using environmental criteria	82 - 84	◑
308-2	Negative environmental impacts in the supply chain and actions taken	119 - 120	◑
	Social Topic-specific Disclosures		
	Employment		
401-1	New employee hires and employee turnover	66, 97	●
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Not disclosed	◎
401-3	Parental leave	99	●
	Labor/Management Relations		
402-1	Minimum notice periods regarding operational changes	As per statutory obligations	◎
	Occupational Health and Safety		
403-1	Occupational health and safety management system	68 - 75	●
403-2	Hazard identification, risk assessment, and incident investigation	68 - 75	●
403-3	Occupational health services	72	●
403-4	Worker participation, consultation, and communication on occupational health and safety	As per statutory obligations	◎
403-5	Worker training on occupational health and safety	68 - 75	●
403-6	Promotion of worker health	68 - 75	●
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	68 - 75	●
403-8	Workers covered by an occupational health and safety management system	68 - 75	●
403-9	Work-related injuries	61, 66, 69 - 70	●
403-10	Work-related ill health	72 - 72	●
	Training and Education		
404-1	Average hours of training per year per employee	92 - 96	●
404-2	Programs for upgrading employee skills and transition assistance programs	92 - 96	●
404-3	Percentage of employees receiving regular performance and career development reviews	103	●
	Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	66, 97 - 103, Directors' Report, 2019 Governance Statement	●
405-2	Ratio of basic salary and remuneration of women to men	99	◑
	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	90 - 92	●
	Child Labor		
408-1	Operations and suppliers at significant risk for incidents of child labor	90 – 91	●
	Forced or Compulsory Labor		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	90 -91	●
	Security Practices		
410-1	Security personnel trained in human rights policies or procedures	Not disclosed	◎

	GRI Standard	Annual Report section, Page number/s and/or URL	Application level / omission
	Rights of Indigenous Peoples		
411-1	Incidents of violations involving rights of indigenous peoples	97, 80	●
	Human Rights Assessment		
412-1	Operations that have been subject to human rights reviews or impact assessments	90 - 91	●
412-2	Employee training on human rights policies or procedures	90 - 91	●
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	90 - 91	◑
	Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	84 - 85	●
413-2	Operations with significant actual and potential negative impacts on local communities	84 - 85	●
	Supplier Social Assessment		
414-1	New suppliers that were screened using social criteria	82 - 84	◕
414-2	Negative social impacts in the supply chain and actions taken	82 - 84	◑
	Public Policy		
415-1	Political contributions	79	●
	Customer Health and Safety		
416-1	Assessment of the health and safety impacts of product and service categories	75 - 76	●
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	75 - 76	●
	Marketing and Labelling		
417-1	Requirements for product and service information and labelling	75 - 76	●
417-2	Incidents of non-compliance concerning product and service information and labelling	75 - 76, 82 - 83	●
417-3	Incidents of non-compliance concerning marketing communications	82 - 83	●
	Customer Privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	81	●
	Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	81, 82	●


UGL
U Safe
northwest
UGL



Sydney Metro Northwest

Pacific Partnerships (equity funding), CPB Contractors (design and construction) and UGL (operations and maintenance) supported by EIC Activities, New South Wales, Australia

Australia's first metro railway, Sydney's Metro North West Line, opened in May 2019 on time and $1 billion under budget.

CPB Contractors, UGL, Pacific Partnerships and EIC Activities contributed integrated rail solutions, delivering two of three major contracts for the 36 kilometre, $8.3 billion project.

CPB Contractors, with joint venture partners, delivered the $1.15 billion contract to build the 15km twin tunnels between Bella Vista and Epping, as well as the civil works for the new stations and services facilities.

Pacific Partnerships (equity funding), CPB Contractors (design and construction) and UGL (operations and maintenance), as part of the Northwest Rapid Transit (NRT) consortium, delivered the $3.7 billion operations, trains and systems contract – the largest Public Private Partnership (PPP) ever awarded in NSW.

The NRT PPP contract has been extended to Stage 2 (City & Southwest) to deliver a seamless customer experience from Rouse Hill to Bankstown – in total 66 kilometres of rail and 31 metro stations.

Financial Report

TABLE OF CONTENTS

Consolidated Statement of Profit or Loss

for the 12 months to 31 December 2019

	Note	12 months to December 2019 $m	12 months to December 2018 $m Restated^
Revenue	2	14,701.1	14,670.2
Expenses	3	(13,538.7)	(13,555.0)
Share of profit / (loss) of associates and joint venture entities	28, 29	66.7	58.5
Operating Profit		1,229.1	1,173.7
Provisions and asset impairment in relation to the Middle East exit	4	(2,724.7)	-
Earnings before interest and tax (“EBIT”)		(1,495.6)	1,173.7
Finance income	5	56.7	55.3
Finance costs	5	(185.9)	(157.4)
Net finance income / (costs)		(129.2)	(102.1)
(Loss) / profit before tax		(1,624.8)	1,071.6
Income tax benefit / (expense)	7	587.5	(299.9)
(Loss) / profit for the year		(1,037.3)	771.7
Loss / (profit) for the year attributable to non-controlling interests		(2.6)	6.8
(Loss) / profit for the year attributable to shareholders of the parent entity		(1,039.9)	778.5
Dividends per share - Final	26	-	86.0¢
Dividends per share - Interim	26	71.0¢	70.0¢
Basic earnings per share	27	(320.9¢)	240.1¢
Diluted earnings per share	27	(320.9¢)	240.1¢

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

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 2019

	Note	12 months to December 2019 $m	12 months to December 2018 $m Restated^
(Loss) / profit for the year attributable to shareholders of the parent entity		(1,039.9)	778.5
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)	24	0.7	124.6
- Effective portion of changes in fair value of cash flow hedges (net of tax)	24	(8.6)	0.5
Other comprehensive income / (expense) for the year		(7.9)	125.1
Total comprehensive income / (expense) for the year attributable to shareholders of the parent entity		(1,047.8)	903.6
Total comprehensive income / (expense) for the year attributable to shareholders of the parent entity:			
Total comprehensive income / (expense) for the year		(1,045.2)	896.8
Total comprehensive (income) / expense for the year attributable to non-controlling interests		(2.6)	6.8
Total comprehensive income / (expense) for the year attributable to shareholders of the parent entity		(1,047.8)	903.6

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

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 2019

	Note	31 December 2019 $m	31 December 2018 $m Restated^	31 December 2017 $m Restated^
Assets				
Cash and cash equivalents	8	1,750.0	2,141.7	1,813.8
Short term financial assets and investments	9	4.5	3.5	0.8
Trade and other receivables	10	3,554.4	3,122.1	3,215.7
Current tax assets	11	-	-	29.0
Inventories: consumables and development properties	12	400.1	315.1	210.8
Assets held for sale		-	1.5	32.2
Total current assets		5,709.0	5,583.9	5,302.3
Trade and other receivables	10	130.4	777.6	1,091.0
Inventories: development properties	12	114.9	111.1	167.6
Investments accounted for using the equity method	13	250.5	136.6	382.7
Other investments	14	112.2	105.4	169.2
Deferred tax assets	15	1,025.2	69.6	164.2
Property, plant and equipment	16	2,279.1	2,068.1	1,746.1
Intangibles	17	1,104.4	1,093.5	1,089.7
Total non-current assets		5,016.7	4,361.9	4,810.5
Total assets		10,725.7	9,945.8	10,112.8
Liabilities				
Trade and other payables	18	6,024.6	5,669.7	4,722.8
Current tax liabilities	19	60.3	68.4	40.4
Provisions	20	327.2	326.0	311.8
Financial liability	4	1,483.4	-	-
Interest bearing liabilities	21	164.3	50.7	265.6
Lease liabilities	22	277.8	279.2	134.8
Total current liabilities		8,337.6	6,394.0	5,475.4
Trade and other payables	18	200.8	82.0	112.1
Provisions	20	60.5	62.4	69.3
Interest bearing liabilities	21	758.6	472.1	637.8
Lease liabilities	22	624.3	629.7	509.5
Deferred tax liabilities	15	20.9	19.4	-
Total non-current liabilities		1,665.1	1,265.6	1,328.7
Total liabilities		10,002.7	7,659.6	6,804.1
Net assets		723.0	2,286.2	3,308.7
Equity				
Share capital	23	1,738.4	1,750.3	1,750.3
Reserves	24	(527.0)	(514.3)	(554.3)
Retained earnings	25	(454.4)	1,094.6	2,134.5
Total equity attributable to equity holders of the parent		757.0	2,330.6	3,330.5
Non-controlling interests		(34.0)	(44.4)	(21.8)
Total equity		723.0	2,286.2	3,308.7

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

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 2019

Restated^		Share capital	Reserves	Retained earnings	Attributable to equity holders	Non-controlling interests	Total equity
		$m	$m	$m	$m	$m	$m
Total equity at 31 December 2017		1,750.3	(554.3)	2,134.5	3,330.5	(21.8)	3,308.7
Opening balance adjustments:							
AASB 15		-	(7.2)	(932.2)	(939.4)	(13.9)	(953.3)
AASB 9		-	(72.9)	(416.0)	(488.9)	-	(488.9)
Adjusted total equity at 1 January 2018		1,750.3	(634.4)	786.3	1,902.2	(35.7)	1,866.5
Profit for the year		-	-	778.5	778.5	(6.8)	771.7
Other comprehensive income		-	125.1	-	125.1	-	125.1
Transactions with shareholders in their capacity as shareholders:							
- Dividends	26	-	-	(470.2)	(470.2)	-	(470.2)
- Share based payments	24	-	(5.0)	-	(5.0)	-	(5.0)
- Other		-	-	-	-	(1.9)	(1.9)
Total transactions with shareholders		-	(5.0)	(470.2)	(475.2)	(1.9)	(477.1)
Total equity at 31 December 2018		1,750.3	(514.3)	1,094.6	2,330.6	(44.4)	2,286.2

		Share capital	Reserves	Retained earnings	Attributable to equity holders	Non-controlling interests	Total equity
		$m	$m	$m	$m	$m	$m
Total equity at 1 January 2019		1,750.3	(514.3)	1,094.6	2,330.6	(44.4)	2,286.2
Profit for the year		-	-	(1,039.9)	(1,039.9)	2.6	(1,037.3)
Other comprehensive income		-	(7.9)	-	(7.9)	-	(7.9)
Transactions with shareholders in their capacity as shareholders:							
- Dividends	26	-	-	(509.1)	(509.1)	(4.2)	(513.3)
- Share buy backs		(11.9)	(4.8)	-	(16.7)	-	(16.7)
- Acquisition		-	-	-	-	11.9	11.9
- Other		-	-	-	-	0.1	0.1
Total transactions with shareholders		(11.9)	(4.8)	(509.1)	(525.8)	7.8	(518.0)
Total equity at 31 December 2019		1,738.4	(527.0)	(454.4)	757.0	(34.0)	723.0

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

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 2019

	Note	12 months to December 2019 $m	12 months to December 2018 $m Restated^
Cash flows from operating activities			
Cash receipts in the course of operations (including GST)		16,684.3	16,040.8
Cash payments in the course of operations (including GST)		(14,971.0)	(13,990.1)
Cash flows from operating activities		1,713.3	2,050.7
Interest received		26.7	28.0
Finance costs paid		(139.3)	(119.5)
Income taxes (paid) / received		(351.2)	(58.9)
Net cash from operating activities	31 (a)	1,249.5	1,900.3
Cash flows from investing activities			
Payments for intangibles		(15.4)	(5.4)
Payments for property, plant and equipment		(774.4)	(547.4)
Payments for investments in controlled entities and businesses	32	(14.0)	(22.7)
Proceeds from sale of property, plant and equipment		22.5	82.6
Proceeds from sale of investments		-	1.2
Cash acquired from acquisition of investments in controlled entities and businesses		18.0	0.7
Payments for investments		(29.1)	(53.1)
Loans to associates and joint ventures		(398.6)	(1.1)
Net cash from investing activities		(1,191.0)	(545.2)
Cash flows from financing activities			
Cash payments for share buy backs	23	(16.7)	-
Proceeds from borrowings	31 (b)	1,191.8	407.7
Repayment of borrowings	31 (b)	(801.8)	(835.6)
Repayment of leases	31 (b)	(320.0)	(191.8)
Dividends paid to shareholders of the Company	26	(509.1)	(470.2)
Dividends paid to non-controlling interests		(4.2)	-
Net cash from financing activities		(460.0)	(1,089.9)
Net increase / (decrease) in cash held		(401.5)	265.2
Cash and cash equivalents at the beginning of the period		2,141.7	1,813.8
Effects of exchange rate fluctuations on cash held		9.8	62.7
Cash and cash equivalents at reporting date	8	1,750.0	2,141.7

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

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 2019

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 41: *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 financial instruments that have been measured at fair value. These financial statements have been prepared on a going concern basis, after taking into consideration all drawn and undrawn facilities.

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 Group has applied new accounting standards in the current year and their impact is disclosed below. In accordance with elections available under the relevant accounting standards, new accounting policies have been applied retrospectively and therefore, the comparative periods have been adjusted and restated to be consistent with the current period.

In the current period the Group has disclosed *Operating Profit* following the recognition of a significant item recorded in the period in relation to the provisions and asset impairment of the Middle East exit. Refer to Note 4: *Significant item*. Operating profit represents the Group's Earnings before Interest and Tax (EBIT) before the provisions and asset impairment in relation to the Middle East exit, as this presentation provides more relevant and useful information in that it enhances the comparability and predictability of the financial information presented in respect of the financial performance of the main operating activities of the Group.

The prior period amounts have been re-presented on a consistent basis to ensure comparability of the financial statements from one period to the next and to provide more reliable and relevant information to the users of the financial statements.

New and amended standards adopted by the Company:

AASB 16: Leases

In the current year, the Group has applied AASB 16 *Leases* which was effective for the Group on 1 January 2019. Details of the new requirements of AASB 16 as well as its impact on the Group's consolidated financial statements are below.

AASB 16 replaces AASB 117: *Leases*, IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. It has the objective to provide users of the financial statements with a basis to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for leases, excluding those that are classified as short-term leases or leases for low value assets, under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. Lessor accounting under AASB 16 is substantially unchanged from previous accounting under AASB 117 and has no material impact to the Group.

From a lessee perspective, at the commencement date of a lease, a lessee will recognise a liability to make lease payments ('lease liability') and an asset representing the right to use the underlying asset during the lease term ('right-of-use asset'). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (such as a change in the lease term or lease payments). The amount of the re-measurement of the lease liability is recognised as an adjustment to the right-of-use asset.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Basis of preparation continued

The CIMIC Group operates in a diverse range of industries, namely construction, mining, services and PPPs giving rise to numerous leasing arrangements. Judgement and estimates are applied when assessing the full impact of AASB 16 on the Group. Management review each lease, on an individual basis, and determine whether the standard's criteria for a right-of-use asset or lease liability are met. Additional factors, such as the lease costs and lease terms, are taken into consideration when identifying the cost base of the right-of-use assets and lease liabilities, as well as the Group's present obligations.

In making these judgements, the Group applied the practical expedient in AASB 16 Appendix paragraph C3 that enables the Group to grandfather assessments made under previous assessments, such that only leases that are leases on date of transition on 1 January 2019 are required to be assessed as a lease under AASB 16. The Group's accounting policies regarding AASB 16 are disclosed in detail in Note 1: *Summary of significant accounting policies – (j) Leases*.

Impact on application

The Group has applied AASB 16 retrospectively and therefore, the comparative figures have been restated as if the new accounting policy had always been applied. The disclosure notes have also been restated where required for comparatives under new disclosure requirements. The adjustments due to the application of the new standards are analysed by financial statement line item below.

Impact on Consolidated Statement of Financial Position at 31 December 2018

		As reported 31 December 2018 $m	AASB 16 Transition Adjustments $m	Restated 31 December 2018 $m
Current trade and other receivables		3,121.9[1]	0.2	3,122.1
Non-current trade and other receivables		777.4	0.2	777.6
Deferred tax assets	(2)	49.8	19.8	69.6
Property, plant & equipment	(1)	1,292.7	775.4	2,068.1
Total assets impact			795.6	
Current trade and other payables	(3)	5,701.0	(31.3)	5,669.7
Current lease liabilities	(1)	-	279.2	279.2
Non-current trade and other payables	(3)	113.4	(31.4)	82.0
Non-current lease liabilities	(1)	-	629.7	629.7
Total liabilities impact			846.2	
Net asset impact			(50.6)	
Retained earnings	(4)	1,145.2	(50.6)	1,094.6
Total equity impact			(50.6)	

[1]Total reported at 31 December 2018 was $3,125.4 million. Of this amount, $3.5 million has been reclassed to *Short term financial assets and investments*.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Basis of preparation continued

Impact on Consolidated Statement of Financial Position at 31 December 2017

		As reported 31 December 2017 $m	AASB 16 Transition Adjustments $m	Restated 31 December 2017 $m
Current trade and other receivables		3,215.5[1]	0.2	3,215.7
Non-current trade and other receivables		1,090.8	0.2	1,091.0
Deferred tax assets	(2)	145.4	18.8	164.2
Property, plant & equipment	(1)	1,224.0	522.1	1,746.1
Total assets impact			541.3	
Current trade and other payables	(3)	4,737.4	(14.6)	4,722.8
Current lease liabilities	(1)	-	134.8	134.8
Non-current trade and other payables	(3)	152.0	(39.9)	112.1
Non-current lease liabilities	(1)	-	509.5	509.5
Total liabilities impact			589.8	
Net asset impact			(48.5)	
Retained earnings	(4)	2,183.0	(48.5)	2,134.5
Total equity impact			(48.5)	

[1]Total reported at 31 December 2017 was $3,216.3 million. Of this amount, $0.8 million has been reclassed to *Short term financial assets and investments*.

(1) Property, plant and equipment & current and non-current lease liabilities
AASB 16 has led to recognised amounts for right-of-use assets within property, plant and equipment and lease liabilities on the face of the balance sheet representing the Group's portfolio of leased assets made up by property, plant, mining equipment and vehicles utilised by the Group.

(2) Deferred tax assets
Adjustments under AASB 16 are subject to tax effect accounting and therefore the net deferred tax position has been impacted.

(3) Current and non-current trade and other payables
The Group has netted off previously held onerous lease provisions against right-of-use leased assets recognised on transition. These provisions were previously held in current and non-current trade payables.

(4) Retained earnings
The retained earnings have been adjusted at 31 December 2017 for the impact of AASB 16 using the full retrospective method which led to a decrease in equity of $48.5 million. At 31 December 2018, the retained earnings adjustment has increased by a further $2.1 million to $50.6 million. The difference represents the 2018 profit and loss impact of the new standard.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Basis of preparation continued

Impact on Consolidated Statement of Profit or Loss

		As reported 31 December 2018 $m	AASB 16 Transition Adjustments $m	Restated 31 December 2018 $m
Revenue		14,670.2	-	14,670.2
Expenses	(1)	(13,586.1)	31.1	(13,555.0)
Share of profit / (loss) of associates and joint venture entities		58.5	-	58.5
Operating Profit		1,142.6	31.1	1,173.7
Provisions and asset impairment in relation to the Middle East exit		-	-	-
Earnings before interest and tax ("EBIT")		1,142.6	31.1	1,173.7
Finance income		55.3	-	55.3
Finance costs	(1)	(123.2)	(34.2)	(157.4)
Net finance income / (costs)		(67.9)	(34.2)	(102.1)
Profit / (loss) before tax		1,074.7	(3.1)	1,071.6
Income tax (expense) / benefit		(300.9)	1.0	(299.9)
Profit / (loss) for the period	(1)	773.8	(2.1)	771.7
Profit / (loss) for the period attributable to non-controlling interests		6.8	-	6.8
Profit / (loss) for the period attributable to shareholders of the parent entity	(1)	780.6	(2.1)	778.5
Basic earnings per share	(2)	240.7¢	0.6	240.1¢
Diluted earnings per share	(2)	240.7¢	0.6	240.1¢

(1) Statement of profit or loss and other comprehensive income
AASB 16 changed the amount and presentation of lease related expenses. Under AASB 117, operating lease expenses were presented as operating expenses, whereas AASB 16 splits the lease expenses into depreciation of the right-of-use assets recognised and finance costs on lease liabilities. This has driven a decrease in the operating lease expense and increases in depreciation and finance costs. Consequently, this has also impacted the Group's key performance indicators such as Operating Profit and EBIT.

Overall, the adoption of AASB 16 had an immaterial impact on the comprehensive income for the Group with a reduction in profit of $2.1 million in the 12 months to 31 December 2018.

(2) Earnings per share
The adjusted profit has led to a marginal change in the Group's basic and diluted earnings per share.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Basis of preparation continued

Impact on Consolidated Statement of Cash Flows

		As reported 31 December 2018 $m	AASB 16 Transition Adjustments $m	Restated 31 December 2018 $m
Cash flows from operating activities				
Cash receipts in the course of operations (including GST)		16,040.8	-	16,040.8
Cash payments in the course of operations (including GST)	(1)	(14,181.9)	191.8	(13,990.1)
Cash flows from operating activities		1,858.9	191.8	2,050.7
Interest received		28.0	-	28.0
Finance costs paid		(119.5)	-	(119.5)
Income taxes (paid) / received		(58.9)	-	(58.9)
Net cash from operating activities		1,708.5	-	1,900.3
Cash flows from investing activities				
Payments for intangibles		(5.4)	-	(5.4)
Payments for property, plant and equipment		(547.4)	-	(547.4)
Payments for investments in controlled entities and businesses		(22.7)		(22.7)
Proceeds from sale of property, plant and equipment		82.6	-	82.6
Proceeds from sale of investments		1.2	-	1.2
Cash acquired from acquisition of investments in controlled entities and businesses		0.7		0.7
Payment for investments		(53.1)	-	(53.1)
Loans to associates and joint ventures		(1.1)	-	(1.1)
Net cash from investing activities		(545.2)	-	(545.2)
Cash flows from financing activities				
Proceeds from borrowings		407.7	-	407.7
Repayment of borrowings		(835.6)	-	(835.6)
Repayment of lease liabilities	(1)	-	(191.8)	(191.8)
Dividend paid to shareholders of the company		(470.2)	-	(470.2)
Net cash from financing activities		(898.1)	(191.8)	(1,089.9)
Net increase in cash held		265.2	-	265.2
Cash and cash equivalents at the beginning of the period		1,813.8	-	1,813.8
Effects of exchange rate fluctuations on cash held		62.7	-	62.7
Cash and cash equivalents at reporting date		2,141.7	-	2,141.7

(1) Statement of cash flows
Lease payments are now classified within financing activities which were previously operating cash flows. The interest portion of the cash payment has also been included as financing activities. This has led to an increase in cash flows from operating activities and an increase in net cash outflows from financing activities.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Basis of preparation continued

Other new and amended accounting standards

- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures;
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle; and
- AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments.

While these standards introduce new disclosure requirements, they do not materially affect the Group's accounting policies or any of the amounts recognised in the financial statements.

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, services and mining contracting projects:
  - Determination of stage of completion;
  - Estimation of total contract costs;
  - Estimation of total contract revenue, including recognising revenue on contract variations and claims only to the extent it is highly probable that a significant reversal in the amount recognised will not occur in the future;
  - Estimation of project completion date; and
  - Assumed levels of project execution productivity.
- Estimation of allowance for expected credit losses on financial assets.

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 contract assets, contract liabilities and amounts receivable from and payable to related parties. Refer to Note 10: *Trade and other receivables*, Note 18: *Trade and other payables* and Note 39: *Related party disclosures.*

- Leasing:
  - Determination of the existence of leases;
  - Estimation of residual value guarantees and buy out options of lease liabilities; and
  - Estimation of lease extension options.
- 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 measurement and classification of financial instruments including fair values and trade finance arrangements; 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.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Basis of consolidation continued

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 re-measured to its fair value with the change in carrying amount recognised in profit or loss.

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 30: *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 fair value through profit and loss financial assets.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

a) Revenue recognition

Construction revenue

The Group derives revenue from the long-term construction of major infrastructure projects, including roads, railways, tunnels, airports, buildings, social infrastructure, water, energy and resources facilities across Australia and Asia. Contracts entered into may be for the construction of one or several separate inter-linked pieces of large infrastructure. The construction of each individual piece of infrastructure is generally taken to be one performance obligation. Where contracts are entered for the building of several projects the total transaction price is allocated across each project based on stand-alone selling prices. The transaction price is normally fixed at the start of the project. It is normal practice for contracts to include bonus and penalty elements based on timely construction or other performance criteria known as variable consideration, discussed below.

The performance obligation is fulfilled over time and as such revenue is recognised over time. As work is performed on the assets being constructed they are controlled by the customer and have no alternative use to the CIMIC Group, with the Group having a right to payment for performance to date.

Generally, contracts identify various inter-linked activities required in the construction process. Revenue is recognised on the measured output of each process based on appraisals that are agreed with the customer on a regular basis.

Revenue earned is typically invoiced monthly or in some cases on achievement of milestones or to match major capital outlay. Invoices are paid on normal commercial terms, which may include the customer withholding a retention amount until finalisation of the construction. Certain construction projects entered into receive payment prior to work being performed in which case revenue is deferred on the balance sheet.

Mining and mineral processing revenue

The Group generates revenue from the provision of mining services, mineral processing from various mine sites, dry hire and plant sales within Australia, Asia, the Americas and Africa. Contracts often include multiple obligations for the processes required to enable mine site development, extraction, processing and remediation. These processes can include the design and construction of mine infrastructure, construction, operation and maintenance of processing facilities, topsoil stripping, drill and blast, excavation, processing, rehabilitation and mine closure. In addition, processes may be performed by the Group or by other contractors employed by the customer and as such are accounted for as separate obligations. The transaction price is allocated to each performance obligation based on the stand-alone selling price. The total transaction price may include a variable pricing element which is accounted for in accordance with the policy on variable consideration.

Performance obligations are fulfilled over time with revenue recognised in the accounting period in which the mining or mineral processes are rendered based on the amount of the expected transaction price allocated to each performance obligation as the customer continues to control the asset as it is enhanced.

Customers are typically invoiced on a monthly basis for an amount that is calculated on a schedule of rates that is aligned with the stand alone selling prices for each performance obligation. Payment is received following invoice on normal commercial terms.

Services revenue

The Group performs maintenance and other services for a variety of different industries. Contracts entered into can cover servicing of related assets which may involve various different processes. These processes and activities tend to be highly inter-related and the Group provides a significant service of integration for these assets under contract. Where this is the case, these are taken to be one performance obligation. The total transaction price is allocated across each service or performance obligation and, where linked, the construction of the relevant asset. The transaction price is allocated to each performance obligation based on contracted prices. The total transaction price may include variable consideration.

Performance obligations are fulfilled over time as the Group enhances assets which the customer controls, for which the Group does not have an alternative use and for which the Group has right to payment for performance to date. Revenue is recognised in the accounting period in which the services are rendered based on the amount of the expected transaction price allocated to each performance obligation. Customers are in general invoiced on a monthly basis for an amount that is calculated on either a schedule of rates or a cost plus basis that are aligned with the stand alone selling prices for each performance obligation. Payment is received following invoice on normal commercial terms.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

a) Revenue recognition continued

Variable consideration

It is common for contracts to include performance bonuses or penalties assessed against the timeliness or cost effectiveness of work completed or other performance related KPIs. Where consideration in respect of a contract is variable, the expected value of revenue is only recognised when the uncertainty associated with the variable consideration is subsequently resolved, known as "constraint" requirements. The Group assesses the constraint requirements on a periodic basis when estimating the variable consideration to be included in the transaction price. The estimate is based on all available information including historic performance. Where modifications in design or contract requirements are entered into, the transaction price is updated to reflect these. Where the price of the modification has not been confirmed, an estimate is made of the amount of revenue to recognise whilst also considering the constraint requirement.

Contract assets and liabilities

AASB 15 uses the terms 'contract asset' and 'contract liability' to describe what is commonly known as 'accrued revenue' and 'deferred revenue'. Contract receivables represent receivables in respect of which the Group's right to consideration is unconditional subject only to the passage of time. Contract receivables are non-derivative financial assets accounted for in accordance with the Group's accounting policy for non-derivative financial assets set out in Note 1(e): *Non-derivative financial instruments*. Contract assets represent the Group's right to consideration for services provided to customers for which the Group's right remains conditional on something other than the passage of time. Contract liabilities arise where payment is received prior to work being performed. Contract assets and contract liabilities are recognised and measured in accordance with this accounting policy.

Contract fulfilment costs

Costs incurred prior to the commencement of a contract may arise due to mobilisation/site setup costs, feasibility studies, environmental impact studies and preliminary design activities as these are costs incurred to fulfil a contract. Where these costs are expected to be recovered, they are capitalised and amortised over the course of the contract consistent with the transfer of service to the customer. Where the costs, or a portion of these costs, are reimbursed by the customer, the amount received is recognised as deferred revenue and allocated to the performance obligations within the contract and recognised as revenue over the course of the contract.

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer represents a financing component. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Warranties and defect periods

Generally construction and services contracts include defect and warranty periods following completion of the project. These obligations are not deemed to be separate performance obligations and therefore estimated and included in the total costs of the contracts. Where required, amounts are recognised accordingly in line with AASB 137: *Provisions, contingent liabilities and contingent assets*.

Loss making contracts

A provision is made for the difference between the expected cost of fulfilling a contract and the expected unearned portion of the transaction price where the forecast costs are greater than the forecast revenue.

Other revenue

Property revenue is recognised when control over the property has been transferred to the customer. This is generally at the point when legal title has transferred to the customer as properties are not developed based on the specific needs of individual customers. The revenue is measured at the transaction price agreed under the contract.

Rental income is recognised on a straight line basis over the term of the operating lease.

Government grant income when recognised relates to incentives received by the Group as allowed under AASB 120: *Accounting for Government grants and disclosure of Government assistance*.

Interest revenue is recognised on an accruals basis, other than related party interest which is calculated using the effective interest rate method.

Dividend income is recognised when the dividend is declared.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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, lease liability 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.

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.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

e) Non-derivative financial instruments

Non-derivative financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or profit or loss); and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Measurement of cash and cash equivalents and trade and other receivables remains at amortised cost consistent with the comparative period.

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.

Short term equivalent liquid assets

Short term equivalent liquid assets includes liquid assets that are readily convertible or converted to cash subsequent to period end.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments as follows.

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collecting contractual cash flows and through sale on specified dates. A gain or loss on a debt investment that is subsequently measured at FVOCI is recognised in other comprehensive income. None are currently held by the Group or at any point during the year.
- Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises. None are currently held by the Group or at any point during the year.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. Changes in the fair value of financial assets at fair value through profit or loss are recognised in other expenses in the statement of profit or loss as applicable.

(iii) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

e) Non-derivative financial instruments continued

For trade receivables, contract debtors and lease receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The methodology and basis for credit risk evaluation and impairment is detailed in Note 37(b): *Financial instruments – Financial risk management.*

Non-derivative financial liabilities

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.

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.

The Group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the instrument is expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other expenses.

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the option contract as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the option contracts are recognised in the cash flow hedge reserve in equity. The changes in the time value of the option contracts that relate to the hedged item ('aligned time value') are recognised within other comprehensive income in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve in equity. The change in the forward element of the contract that relates to the hedged item is recognised within other comprehensive income in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows.
- The gain or loss relating to the effective portion of forward and option contracts are ultimately recognised in profit or loss as the hedged item affects profit or loss within expenses.
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss. Hedge ineffectiveness is recognised in profit or loss within other expenses.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

g) Inventories

Inventories are carried at the lower of cost and net realisable value and comprise of the following.

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.

i) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. The balance includes right of use assets as discussed in j) *Leases* below.

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 recognized in the statement of profit or loss.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

j) Leases

The Group as Lessee

The Group assesses whether a contract is or contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In such instances, the Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements, except for short term leases, cancellable leases that if cancelled by the lessee the losses associated with the cancellation are borne by the lessor and low value leased assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group has a significant lease portfolio, comprising predominately property, plant, mining equipment and fleet vehicle rentals. Given the Group's operational involvement in the construction, mining and services sectors, leased equipment is a key component of the business.

Measurement and presentation of lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The following items are also included in the measurement of the lease liability:

- Fixed lease payments offset by any lease incentives;
- Variable lease payments, for lease liabilities which are tied to a floating index;
- The amounts expected to be payable to the lessor under residual value guarantees;
- The exercise price of purchase options (if it is reasonably certain that the option will be exercised); and
- Payments of penalties for terminating leases, if the lease term reflects the lease terminating early.

The lease liability is separately disclosed on the statement of financial position. The liabilities which will be repaid within twelve months are recognised as current and the liabilities which will be repaid in excess of twelve months are recognised as non-current.

The lease liability is subsequently measured by reducing the balance to reflect the principal lease repayments made and increasing the carrying amount by the interest on the lease liability.

The Group is required to remeasure the lease liability and make an adjustment to the right-of-use asset in the following instances:

- The term of the lease has been modified or there has been a change in the Group's assessment of the purchase option being exercised, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; and
- The lease payments are adjusted due to changes in the index or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate. However, if a change in lease payments is due to a change in a floating interest rate, a revised discount rate is used.

Measurement and presentation of right-of-use asset

The right-of-use assets recognised by the Group comprise the initial measurement of the related lease liability, any lease payments made at or before the commencement of the contract, less any lease incentives received and any direct costs. Costs incurred by the Group to dismantle the asset, restore the site or restore the asset are included in the cost of the right-of-use asset.

It is subsequently measured under the cost model with any accumulated depreciation and impairment losses applied against the right-of-use asset. If the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the asset over the shorter period of either the useful life of the asset or the lease term. The depreciation starts at the commencement date of the lease and the carrying value of the asset is adjusted to reflect the accumulated depreciation balance.

Any remeasurement of the lease liability is also applied against the right-of-use asset value.

The right-of-use assets are presented within Property, Plant and Equipment in the statement of financial position.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

j) Leases continued

The Group as Lessor

The Group enters into lease agreements as a lessor with respect to some property subleases as well as renting equipment to its partners, suppliers and contractors.

The leases entered into by the Group are recognised as either finance or operating leases. If the terms of the lease agreement transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. If this is not the case, then the lease is recognised as an operating lease. The income received from operating leases is recognised on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are included in the carrying amount of the leased asset. Amounts due from lessees under finance leases are recognised as receivables.

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.

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.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 life 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 FVOCI instruments, 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 is 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.

Share-based payment transactions
Ownership based remuneration is provided to employees via the plans outlined in Note 38: *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.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 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 2019

2. REVENUE

	Note	12 months to December 2019 $m	12 months to December 2018 $m
Construction revenue		7,532.1	7,965.2
Mining and mineral processing revenue		4,496.9	3,966.9
Services revenue		2,626.4	2,676.5
Other revenue		45.7	61.6
Total revenue	33	14,701.1	14,670.2

3. EXPENSES

	Note	12 months to December 2019 $m	12 months to December 2018 $m Restated^
Materials		(2,682.2)	(2,846.7)
Subcontractors		(4,186.3)	(4,391.5)
Plant costs		(1,376.1)	(1,222.8)
Personnel costs		(3,709.6)	(3,634.0)
Depreciation and impairment of property, plant and equipment	16	(874.0)	(686.3)
Amortisation of intangibles	17	(43.6)	(40.8)
Net gain / (loss) on sale of assets		10.8	13.8
Foreign exchange gains / (losses)		2.7	3.4
Lease payments		(140.6)	(202.4)
Design, engineering and technical consulting fees		(60.5)	(64.7)
Other expenses		(479.3)	(483.0)
Total expenses		(13,538.7)	(13,555.0)

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

4. SIGNIFICANT ITEM

Provisions and Asset Impairment in relation to Middle East exit

Significant items are those which by their size and nature or incidence are relevant in explaining the financial performance of the Group, and as such are disclosed separately.

On 23 January 2020 the Group announced to the ASX that it had completed an extensive strategic review of its financial investment of a non-controlling interest in BIC Contracting (BICC), a company operating in the Middle East region. As part of the review CIMIC initiated a confidential M&A process in respect of its investment in BICC and discussions continue with a shortlist of potential acquirers for all or part of BICC. In addition, in the context of an accelerated deterioration of local market conditions, BICC is engaging in confidential discussions with its lenders, creditors, clients and other stakeholders.

After thorough evaluation of all available options, CIMIC has decided to exit the region and to focus its resources and capital allocation on growth opportunities in its main core markets and geographies (Australia, New Zealand and Asia Pacific).

In the year ended 31 December 2019 the Group recognised a one off pre-tax impact of $2,724.7 million relating to provisions and asset impairments in respect of the Middle East exit with an associated income tax benefit of $884.5 million, resulting in a post-tax impact of $1,840.2 million ("One off financial impact of the Middle East exit").

Presented below is the underlying performance of the Group, the one-off financial impact of the Middle East exit, which is a non-recurring item in the current year, and the statutory consolidated statement of profit or loss.

Impact on Consolidated Statement of Profit or Loss

	Underlying[1] 31 December 2019 $m	One-off financial impact of the Middle East exit $m	Statutory 31 December 2019 $m
Revenue	14,701.1	-	14,701.1
Expenses	(13,538.7)	-	(13,538.7)
Share of profit / (loss) of associates and joint venture entities	66.7	-	66.7
Operating profit	1,229.1		1,229.1
Provisions and asset impairment in relation to the Middle East exit	-	(2,724.7)	(2,724.7)
Earnings before interest and tax ("EBIT")	1,229.1	(2,724.7)	(1,495.6)
Finance income	56.7	-	56.7
Finance costs	(185.9)	-	(185.9)
Net finance income / (costs)	(129.2)	-	(129.2)
Profit / (loss) before tax	1,099.9	(2,724.7)	(1,624.8)
Income tax (expense) / benefit	(297.0)	884.5	587.5
Profit / (loss) for the period	802.9	(1,840.2)	(1,037.3)
(Profit) / loss for the period attributable to non-controlling interests	(2.6)	-	(2.6)
Profit / (loss) for the period attributable to shareholders of the parent entity	800.3	(1,840.2)	(1,039.9)
Basic earnings per share	246.9¢	(567.8¢)	(320.9¢)
Diluted earnings per share	246.9¢	(567.8¢)	(320.9¢)

[1]Underlying represents financial performance prior to recording the one-off impact of the Group's decision to exit the Middle East region.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

4. SIGNIFICANT ITEM CONTINUED

Provisions and Asset Impairment in relation to Middle East exit continued

Asset impairments totalling $1,189.6 million includes write downs of outstanding shareholder loans of $1,072.1 million, an impairment to the option to acquire the remaining shares in BICC of $77.1 million and $40.4 million in relation to other Middle East related assets.

A financial liability and other amounts payable totalling $1,535.1 million have been recognised which represents amounts expected to be paid as CIMIC's financial guarantees of certain BICC liabilities materialise.

CIMIC has committed facilities and cash available to meet all obligations as required.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

5. NET FINANCE INCOME / (COSTS)

	Note	12 months to December 2019 $m	12 months to December 2018 $m Restated^
Finance income			
Interest income			
- Related parties	39 (b)	29.2	25.0
- Other parties		24.6	27.4
Unwinding of discounts on non-current receivables			
- Related parties	39 (b)	2.9	2.8
- Other parties		-	0.1
Total finance income		56.7	55.3
Finance costs			
Debt interest expense		(66.1)	(73.1)
Finance charge for leases liabilities		(37.3)	(34.2)
Facility fees, bonding and other finance costs		(76.0)	(46.1)
Impact of discounting			
- Related parties	39 (b)	-	-
- Other		(6.5)	(4.0)
Total finance costs		(185.9)	(157.4)
Net finance income / (costs)		(129.2)	(102.1)

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

6. AUDITORS' REMUNERATION

	12 months to December 2019 $'000	12 months to December 2018 $'000
Audit and review services		
Deloitte Touche Tohmatsu ("Deloitte")		
- Audit and review of financial statements – Deloitte Australia	3,259	3,837
- Audit and review of financial statements – related overseas firms	780	765
Other auditors		
- Audit and review of financial statements – other auditors	335	343
Audit and review services	4,374	4,945
Other assurance services		
Deloitte		
- Other assurance services – Deloitte Australia	105	104
- Other assurance services – related overseas firms	-	-
Other auditors		
- Other assurance services – other auditors	10	14
Other assurance services	115	118
Other services		
Other auditors		
- Other services – other auditors	31	21
Other services	31	21

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 2019

7. INCOME TAX EXPENSE

	12 months to December 2019 $m	12 months to December 2018 $m Restated^
Income tax expense recognised in the statement of profit or loss		
Current tax expense	(334.0)	(111.6)
Deferred tax benefit / (expense)	935.1	(186.8)
Over provision in prior periods	(13.6)	(1.5)
Total income tax benefit / (expense) in statement of profit or loss	587.5	(299.9)
Deferred tax recognised directly in equity		
Revaluation of cash flow and net investment hedges	-	(2.8)
Total deferred tax (expense) / benefit recognised in equity	-	(2.8)
Reconciliation of prima facie tax to income tax expense		
(Loss) / Profit from continuing operations	(1,624.8)	1,071.6
(Loss) / Profit before tax	(1,624.8)	1,071.6
Prima facie income tax benefit / (expense) at 30% (31 December 2018: 30%)	487.4	(321.5)
The following items have affected income tax (expense) / benefit for the year:		
Tax losses not recognised	(5.4)	(23.1)
Overseas income tax differential and foreign exchange	33.7	29.0
Research and development credit	-	1.6
Movement in provision for taxes on retained earnings of controlled entities	5.4	(20.9)
Equity accounted and joint venture income tax differential	17.0	16.0
Other items in relation to Middle East exit	67.1	-
Other	(4.1)	20.5
Current period income tax benefit / (expense)	601.1	(298.4)
(Under) / over provision in prior periods	(13.6)	(1.5)
Income tax benefit / (expense)	587.5	(299.9)

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

8. CASH AND CASH EQUIVALENTS

	December 2019 $m	December 2018 $m
Funds on deposit	446.8	966.9
Cash at bank and on hand	1,303.2	1,174.8
Cash and cash equivalents	1,750.0	2,141.7

As at 31 December 2019: $468.1 million (31 December 2018: $580.4 million) of cash at bank is restricted. It includes cash subject to certain operational restrictions of $320.6 million (31 December 2018: $204.3 million) as well as cash in relation to the sale of receivables of $147.5 million (31 December 2018: $376.1 million). The receivables only include certified amounts with the factoring done on a non-recourse basis.

9. SHORT TERM FINANCIAL ASSETS AND INVESTMENTS

	December 2019 $m	December 2018 $m
Short term financial assets and investments	4.5	3.5

This balance represents liquid assets converted or readily convertible to cash subsequent to period end.

		December 2019 $m	December 2018 $m
Additional information on cash, cash equivalents and short term financial assets and investments:			
Cash and cash equivalents	8	1,750.0	2,141.7
Short term financial assets and investments		4.5	3.5
Cash and equivalent liquid assets		1,754.5	2,145.2

	December 2019 $m	December 2018 $m
Cash flows from operating activities	1,713.3	2,050.7
Change in short term assets and investments	1.0	2.7
Total cash from operating activities and changes in equivalent liquid assets	1,714.3	2,053.4

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

10. TRADE AND OTHER RECEIVABLES

	Note	December 2019 $m	December 2018 $m Restated^
Contract receivables		390.7	415.0
Contract assets[1,4]		2,080.1	1,714.5
Retentions and capitalised costs to fulfil contracts		137.1	167.6
Total contract debtors		2,607.9	2,297.1
Trade debtors		210.5	167.8
Other amounts receivable		691.0	571.5
Prepayments		102.1	67.1
Derivative financial assets	29, 37	9.3	89.8
Amounts receivable from related parties[2]	39 (b)	32.1	672.1
Non-current tax asset[3]		31.9	34.3
Total trade and other receivables		3,684.8	3,899.7
Current[1]		3,554.4	3,122.1
Non-current[2,3,4]		130.4	777.6
Total trade and other receivables		3,684.8	3,899.7

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

[1]*Contract assets includes an amount equal to $1.15 billion (31 December 2018: $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 (Saipem and CPB together referred to as 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.*
- *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 (Chevron Arbitration).*
- *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 arbitration.*
- *Since December 2016, the Chevron Arbitration has continued in accordance with the contractual terms. Closing submissions were completed on 6 – 7 November 2019 with an award from the arbitrators expected late 2020.*

In addition there is an arbitration procedure against Saipem pursuant to the Consortium Agreement seeking recovery of outstanding amounts. The Consortium Arbitration continues in accordance with the contractual processes; arbitrators have been appointed, orders for the conduct of the arbitration have been made, and it is anticipated that hearings will commence in 2020 with a determination thereafter.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

10. TRADE AND OTHER RECEIVABLES CONTINUED

[2]*The Group has trade and other receivables relating to BICC. Following the Group's decision to exit the Middle East, the shareholder loans are fully impaired and total US$nil (31 December 2018: US$454.9 million) equivalent to $nil (31 December 2018: $640.7 million). Refer to Note 4: Significant item.*

[3]*The non-current tax asset of $31.9 million (31 December 2018: $34.3 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.*

[4]*Contract assets are net of $675.0 million (31 December 2018: $675.0 million) revenue constraint on a portfolio basis.*

			December 2019 $m	December 2018 $m
Additional information on contract debtors				
Total contract debtors	-	trade and other receivables	2,607.9	2,297.1
Total contract liabilities	-	trade and other payables	(1,322.2)	(1,198.2)
Net contract debtors			1,285.7	1,098.9

Significant changes in contract assets and liabilities

Contract assets are balances due from customers under long term contracts as work is performed and therefore a contract asset is recognised over the period in which the performance obligation is fulfilled. This represents the entity's right to consideration for the services transferred to date. Amounts are generally reclassified to contract receivables when these have been certified or invoiced to a customer.

The increase in net contract debtors is mainly attributable to the growth in the mining business, where advance payments are not commonly received, and also due to a large number of alliance construction contracts won in Australia over the past year, with a different working capital profile compared to infrastructure projects.

Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period was $998.5 million (31 December 2018: $910.8 million). Revenue recognised in the reporting period from performance obligations satisfied or partially satisfied in previous periods was $145.3 million (31 December 2018: $152.7 million). Partially satisfied performance obligations continue to incur revenue and costs in the period.

Remaining performance obligations (Work in hand)

Contracts which have remaining performance obligations as at 31 December 2019 are set out below.

	December 2019 $m	December 2018 $m
Construction	16,229	15,254
Mining & mineral processing	10,143	11,159
Services	8,944	7,420
Corporate	2,195	2,873
Work in hand[1]	37,511	36,706

[1]*Includes $5,157 million (31 December 2018: $5,954 million) of CIMIC's share of work in hand from joint venture and associates equity accounted investments.*

Contracts in the different sectors have different lengths. The average duration of contracts is given below, however some contracts will vary from these typical lengths. Revenue is typically earned over these varying timeframes, however more of the revenue noted above is expected to be earned in the short-term.

Construction	1-4 years
Mining and mineral processing	3-6 years
Services	4-10 years

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

11. CURRENT TAX ASSETS

The current tax asset of $nil (31 December 2018: $nil) represents the amount of income taxes recoverable from the payment of tax in excess of the amounts due to the relevant tax authority.

12. INVENTORIES

	December 2019 $m	December 2018 $m
Property developments		
Cost of acquisition	18.5	21.5
Development expenses capitalised	100.7	98.8
Rates, taxes, finance and other costs capitalised	30.1	29.2
Total property developments	149.3	149.5
Other inventories		
Raw materials and consumables at cost	365.7	276.7
Total other inventories	365.7	276.7
Total inventories	515.0	426.2
Current	400.1	315.1
Non-current	114.9	111.1
Total inventories	515.0	426.2

Finance costs capitalised to property developments during the period were $1.3 million (31 December 2018: $2.6 million).

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	December 2019 $m	December 2018 $m
Associates	28	54.3	72.5
Joint venture entities	29	196.2	64.1
Total investments accounted for using the equity method		250.5	136.6

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

14. OTHER INVESTMENTS

	Note	December 2019 $m	December 2018 $m
Financial assets at fair value through profit or loss			
Listed investments		1.0	-
Unlisted investments		111.2	105.4
Total other financial assets at fair value through profit or loss	37 (c)	112.2	105.4
Current		-	-
Non-current		112.2	105.4
Total other investments		112.2	105.4

15. DEFERRED TAXES

	December 2019 $m	December 2018 $m Restated^
Recognised deferred tax assets / (liabilities)		
Deferred tax assets are attributed to the following:		
Contract debtors	265.2	335.8
Property developments	14.4	11.1
Other inventories	4.1	6.1
Property, plant and equipment	75.7	59.3
Employee benefits	103.2	98.5
Contract profit differential	(420.5)	(476.4)
Withholding tax on retained earnings of non-resident and controlled entities	(98.6)	(104.0)
Investment revaluations	40.0	40.4
Controlled entities	(30.7)	(76.4)
Foreign exchange	0.1	15.5
Tax losses[1]	945.6	90.3
Other	105.8	50.0
Total deferred taxes	1,004.3	50.2
Comprising of:		
Deferred tax assets	1,025.2	69.6
Deferred tax (liabilities)	(20.9)	(19.4)
Total deferred taxes	1,004.3	50.2
Unrecognised deferred tax assets		
Deferred tax assets which have not been recognised in respect of tax losses	159.9	165.7

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

[1]*Includes $826.5 million relating to carried forward capital losses with no expiry date. In recognising deferred tax assets the Group considers the expected future performance of the business in line with the Group strategy, Board approved business plans as well as future capital allocation opportunities. The group analyses strategic options to maintain its balance sheet, including investment partnerships to grow its core businesses.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

16. PROPERTY, PLANT AND EQUIPMENT

Restated^	Buildings	Leasehold land, buildings and improvements	Plant and equipment	Right-of-use Land and buildings	Right-of-use plant and equipment	Total property, plant and equipment
	$m	$m	$m	$m	$m	$m
At 1 January 2018						
Cost or fair value	0.2	85.5	3,222.6	593.3	267.0	4,168.6
Accumulated depreciation	(0.2)	(41.2)	(2,042.9)	(270.4)	(67.8)	(2,422.5)
Net book amount	-	44.3	1,179.7	322.9	199.2	1,746.1
Year ended 31 December 2018						
Opening net book amount	-	44.3	1,179.7	322.9	199.2	1,746.1
Additions	0.1	0.8	560.3	10.1	408.6	979.9
Acquisitions	-	-	0.3	1.9	-	2.2
Disposals	-	-	(68.4)	-	-	(68.4)
Transfers	-	-	12.6	-	-	12.6
Depreciation	-	(8.1)	(510.3)	(65.0)	(102.9)	(686.3)
Effects of exchange rate fluctuations	-	-	81.4	1.3	(0.7)	82.0
Closing net book amount	0.1	37.0	1,255.6	271.2	504.2	2,068.1
Year ended 31 December 2018						
Cost or fair value	0.1	87.4	3,434.8	607.8	672.0	4,802.1
Accumulated depreciation and impairment	-	(50.4)	(2,179.2)	(336.6)	(167.8)	(2,734.0)
Net book amount	0.1	37.0	1,255.6	271.2	504.2	2,068.1
Year ended 31 December 2019						
Opening net book amount	0.1	37.0	1,255.6	271.2	504.2	2,068.1
Additions	-	5.2	786.6	124.0	177.0	1,092.8
Acquisitions	-	-	5.1	1.2	-	6.3
Disposals	-	-	(12.3)	(6.0)	(11.1)	(29.4)
Transfers	-	-	5.1	-	2.2	7.3
Depreciation	-	(7.8)	(580.8)	(65.7)	(219.7)	(874.0)
Effects of exchange rate fluctuations	-	-	9.4	-	(1.4)	8.0
Closing net book amount	0.1	34.4	1,468.7	324.7	451.2	2,279.1
Year ended 31 December 2019						
Cost or fair value	0.1	82.3	3,690.6	664.9	766.1	5,204.0
Accumulated depreciation and impairment	-	(47.9)	(2,221.9)	(340.2)	(314.9)	(2,924.9)
Net book amount	0.1	34.4	1,468.7	324.7	451.2	2,279.1

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

17. INTANGIBLES

	Note	Goodwill $m	Other intangibles[1] $m	Total intangibles $m
At 1 January 2018				
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
Year ended 31 December 2018				
Opening net book amount		922.5	167.2	1,089.7
Additions / acquisitions		21.7	28.3	50.0
Disposals		-	(6.8)	(6.8)
Impairment		-	(2.7)	(2.7)
Amortisation		-	(40.8)	(40.8)
Effects of exchange rate fluctuations		4.0	0.1	4.1
Closing net book amount		948.2	145.3	1,093.5
Year ended 31 December 2018				
Cost or fair value		961.8	384.7	1,346.5
Accumulated amortisation and impairment		(13.6)	(239.4)	(253.0)
Net book amount		948.2	145.3	1,093.5
Year ended 31 December 2019				
Opening net book amount		948.2	145.3	1,093.5
Additions / acquisitions		31.3	44.4	75.7
Impairment	4	-	(20.5)	(20.5)
Amortisation		-	(43.6)	(43.6)
Effects of exchange rate fluctuations		(0.3)	(0.4)	(0.7)
Closing net book amount		979.2	125.2	1,104.4
Year ended 31 December 2019				
Cost or fair value		992.8	397.6	1,390.4
Accumulated amortisation and impairment		(13.6)	(272.4)	(286.0)
Net book amount		979.2	125.2	1,104.4

[1]*Other intangibles include:*

- *IT software systems of $53.8 million with a useful life of up to 8 years (31 December 2018: $74.1 million up to 8 years);*
- *Customer contracts, concessions and other intangibles with useful lives of:*
  - *1 to 5 years $8.2 million (31 December 2018: $11.3 million);*
  - *6 to 15 years $57.7 million (31 December 2018: $54.4 million); and*
  - *Indefinite useful life $5.5 million (31 December 2018: $5.5 million).*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

17. INTANGIBLES CONTINUED

	December 2019 $m	December 2018 $m
Impairment tests for cash-generating units containing goodwill		
Goodwill is attributable to cash generating units in the following segments:		
Construction	451.2	452.1
Mining & mineral processing	114.8	98.1
Services	413.2	398.0
Balance at reporting date	979.2	948.2

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	11–15%	3-5%
Mining & mineral processing	8–18%	3%
Services	11%	3%

Sensitivity to changes in assumptions
The recoverable amount of intangible assets exceeds their carrying values at 31 December 2019. 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 2019

18. TRADE AND OTHER PAYABLES

	Note	December 2019 $m	December 2018 $m Restated^
Trade creditors and accruals		5,849.9	5,144.6
Other creditors		346.6	585.9
Amounts payable to related parties	39 (b)	16.3	20.2
Trade and other payables	37 (a,b)	6,212.8	5,750.7
Derivative financial liabilities	37 (a,b)	12.6	1.0
Total trade and other payables		6,225.4	5,751.7
Current		6,024.6	5,669.7
Non-current		200.8	82.0
Total trade and other payables		6,225.4	5,751.7

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

19. CURRENT TAX LIABILITIES

The current tax liability of $60.3 million (31 December 2018: $68.4 million) represents the amounts payable in respect of current and prior periods.

20. PROVISIONS

	December 2019 $m	December 2018 $m
Employee Benefits		
Current	327.2	326.0
Non-current	60.5	62.4
Total provisions	387.7	388.4

The provision for employee benefits relates to wages and salaries, annual leave, long service leave, retirement benefits and deferred bonuses.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

21. INTEREST BEARING LIABILITIES

	Note	December 2019 $m	December 2018 $m
Current interest bearing loans		164.3	50.7
Non-current interest bearing loans		758.6	472.1
Total interest bearing liabilities	37	922.9	522.8

22. LEASE LIABILITIES

	Note	December 2019 $m	December 2018 $m
Current lease liabilities		277.8	279.2
Non-current lease liabilities		624.3	629.7
Total lease liabilities	37	902.1	908.9

Extension options

Certain leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility.

The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options, and where it is reasonably certain, the extension period has been included in the lease liability. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Residual value guarantees and buy out options

Certain lease contracts may include an option to buy-out the asset at the end of the lease term or include contingent rental guarantees where the Group could be exposed to the variability of returns in relation to return conditions at lease expiry.

The Group will include the payments for the contingent rental guarantee or the buy-out option only if it is reasonably certain that the payment will occur at the end of the lease term. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

23. SHARE CAPITAL

	Company	
	December 2019 No. of shares	December 2018 No. of shares
Issued and fully paid share capital		
Balance at beginning of reporting period	324,254,097	324,254,097
Shares bought back	(527,341)	-
Balance at reporting date	323,726,756	324,254,097

	Company	
	12 months to December 2019 $m	12 months to December 2018 $m
Share capital		
Balance at beginning of reporting period	1,750.3	1,750.3
Par value of shares bought back[1]	(11.9)	-
Balance at reporting date	1,738.4	1,750.3

[1]On 14 December 2017, the CIMIC Group Board approved an 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. No shares were bought back under this scheme.

On 14 December 2018, 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 which commenced on 29 December 2018 and concluded on 28 December 2019. As at 31 December 2019, 527,341 shares were bought back for $16.7 million and subsequently cancelled. The associated par value of the shares cancelled totalling $11.9 million reduced share capital with the total premium paid over par value of $4.8 million taken to the share buy-back reserve in 2019.

On 13 December 2019, the CIMIC Group Board approved an 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 2019. No shares have been bought back under this 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 2019

24. RESERVES

	Note	12 months to December 2019 $m	12 months to December 2018 $m
Foreign currency translation reserve			
Balance at beginning of reporting period		206.8	162.3
Adjustment on implementation of new accounting standards		-	(80.1)
Included in statement of other comprehensive income		0.7	124.6
Balance at reporting date		207.5	206.8
Hedging reserve			
Balance at beginning of reporting period		(6.6)	(7.1)
Included in statement of other comprehensive income		(8.6)	0.5
Balance at reporting date		(15.2)	(6.6)
Equity reserve			
Balance at beginning of reporting period		(619.6)	(619.6)
Acquisition of non-controlling interests		-	-
Balance at reporting date		(619.6)	(619.6)
Share buy-back reserve			
Balance at beginning of reporting period		(123.7)	(123.7)
Premium paid over par on share buy-back		(4.8)	-
Balance at reporting date		(128.5)	(123.7)
Share based payments reserve			
Balance at beginning of reporting period		28.8	33.8
Included in statement of profit or loss		-	0.1
Transferred to liability	38	-	(5.1)
Balance at reporting date		28.8	28.8
Total reserves at reporting date		(527.0)	(514.3)

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

24. 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.

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.

25. RETAINED EARNINGS

	Note	12 months to December 2019 $m	12 months to December 2018 $m Restated^
Closing balance of previous reporting period		1,094.6	2,183.0
Adjustment on implementation of IFRS 16	1	-	(48.5)
Balance at beginning of reporting period		1,094.6	2,134.5
Adjustment on implementation of IFRS 15 and IFRS 9		-	(1,348.2)
Adjusted balance at beginning of period		1,094.6	786.3
Included in statement of profit or loss		(1,039.9)	778.5
Dividends paid	26	(509.1)	(470.2)
Balance at reporting date		(454.4)	1,094.6

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

26. DIVIDENDS

	Cents per share	$m
2019 final dividend		
Subsequent to reporting date the Company announced no final dividend would be paid in respect of the year ended 31 December 2019	-	-
Dividends recognised in the reporting period to 31 December 2019		
30 June 2019 interim ordinary dividend 100% franked paid on 3 October 2019	71.0	230.2
31 December 2018 final dividend 100% franked paid on 4 July 2019	86.0	278.9
Total dividends recognised in reporting period to 31 December 2019		509.1
Dividends recognised in the reporting period to 31 December 2018		
30 June 2018 interim ordinary dividend 100% franked paid on 4 October 2018	70.0	227.0
31 December 2017 final dividend 100% franked paid on 4 July 2018	75.0	243.2
Total dividends recognised in reporting period to 31 December 2018		470.2

	Company	
	December 2019 $m	December 2018 $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	6.1	43.7

The impact of the 2019 final dividend, determined after the reporting date, on the dividend franking account will be a reduction of $nil (2018: $119.5 million).

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

27. EARNINGS PER SHARE

	12 months to December 2019	12 months to December 2018 Restated^
Basic earnings per share	(320.9¢)	240.1¢
Diluted earnings per share	(320.9¢)	240.1¢
Profit / (loss) attributable to shareholders of the parent entity used in the calculation of basic and diluted earnings per share ($m)	(1,039.9)	778.5
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	324,092,283	324,254,097
Contingently issuable shares[1]	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	324,092,283	324,254,097

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

[1]*Contingently issuable shares relate to share rights under plans disclosed in* Note 38*: Employee benefits.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

28. ASSOCIATES

The Group has the following investments in associates:

Name of entity	Principal activity	Country	Ownership interest December 2019 %	Ownership interest December 2018 %
Canberra Metro Holdings Pty Ltd[1]	Construction	Australia	30	30
Canberra Metro Holdings Trust[1]	Construction	Australia	30	30
Canberra Metro Pty Ltd[1]	Construction	Australia	30	30
CIP Holdings General Partner Limited[1]	Investment	New Zealand	-	40
Cornerstone Infrastructure Partners Holdings LP[1]	Investment	New Zealand	-	40
Dunsborough Lakes Village Syndicate[1]	Development	Australia	20	20
LCIP Co-Investment Unit Trust[2]	Investment	Australia	11	11
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
Momentum Trains Holding Pty Ltd[1]	Investment	Australia	-	49
Momentum Trains Holding Trust[1]	Investment	Australia	-	49
On Talent Pty Ltd	Recruitment	Australia	30	30
Shaped NZ Hold GP Limited[3]	Investment	New Zealand	23	23
Shaped NZ Hold LP[3]	Investment	New Zealand	23	23
Wellington Gateway General Partner No.1 Limited[2]	Investment	New Zealand	15	15
Wellington Gateway Partnership 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.*

[3]*Entities have a 31 March statutory reporting date.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

28. ASSOCIATES CONTINUED

The Group's share of associates' results, assets and liabilities are as follows:

	12 months to December 2019 $m	12 months to December 2018 $m
Revenue	551.3	528.8
Expenses	(515.2)	(503.9)
Earnings before interest and tax (EBIT)	36.1	24.9
Finance income	1.0	1.2
Finance costs	(15.7)	(6.1)
Net finance income / (costs)	(14.7)	(4.9)
Profit / (loss) before tax	21.4	20.0
Income tax (expense) / benefit	(5.1)	(4.5)
Profit / (loss) for the period	16.3	15.5

	December 2019 $m	December 2018 $m Restated^
Current assets	191.5	135.7
Non-current assets	339.9	396.6
Total assets	531.4	532.3
Current liabilities	162.6	124.7
Non-current liabilities	314.5	335.1
Total liabilities	477.1	459.8
Equity accounted associates at reporting date[1]	54.3	72.5

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

[1]*The Group's shareholding in listed associates for which there are published quotations had a market value at reporting date of: $nil (31 December 2018: $nil).*

There were no impairments of equity accounted associates during the reporting period (31 December 2018: $nil).

In the opinion of the directors, there are no individually material associates as at 31 December 2019.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

29. JOINT VENTURE ENTITIES

The Group has the following joint venture entities:

			Ownership interest	
Name of entity	Principal activity	Country	December 2019 %	December 2018 %
Australian Terminal Operations Management Pty Ltd	Services	Australia	50	50
BIC Contracting LLC	Construction	United Arab Emirates	45	45
Canberra Metro Operations Pty Ltd	Services	Australia	50	50
CIP Holdings General Partner Limited[1]	Investment	New Zealand	40	-
City West Property Holdings Pty Limited	Development	Australia	-	50
City West Property Investments (No. 1) Pty Limited	Development	Australia	-	50
City West Property Investments (No. 2) Pty Limited	Development	Australia	-	50
City West Property Investments (No. 3) Pty Limited	Development	Australia	-	50
City West Property Investments (No. 4) Pty Limited	Development	Australia	-	50
City West Property Investments (No. 5) Pty Limited	Development	Australia	-	50
City West Property Investments (No. 6) Pty Limited	Development	Australia	-	50
Cockatoo Mining Pty Ltd	Contract Mining	Australia	50	50
Cornerstone Infrastructure Partners Holding LP[1]	Investment	New Zealand	40	-
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
Kings Square No.4 Unit Trust[1]	Development	Australia	50	50
Kings Square Pty Ltd[1]	Development	Australia	50	50
Leighton Abigroup Joint Venture[1]	Construction	Australia	50	50
Leighton Kumagai Joint Venture (Metrorail)[1]	Construction	Australia	55	55
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
Mode Apartments Pty Ltd	Development	Australia	30	30
Mode Apartments Unit Trust	Development	Australia	30	30
Momentum Trains Holding Pty Ltd[1]	Investment	Australia	49	-
Momentum Trains Holding Trust[1]	Investment	Australia	49	-
Mpeet Pty Limited	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
Ngarda Civil and Mining Pty Limited[1]	Contract Mining	Australia	-	50
Northern Gateway Alliance	Construction	New Zealand	50	50
Pulse Partners Holding Pty Ltd[1]	Investment	Australia	49	-
Pulse Partners Holding Trust[1]	Investment	Australia	49	-
RTL JV[1]	Contract Mining	Australia	44	44
RTL Mining and Earthworks Pty Ltd[1]	Construction	Australia	44	44
Sedgman Civmec JV[1]	Construction	Australia	-	50
Smartreo Pty Ltd	Construction	Australia	50	50
Southern Gateway Alliance (Mandurah)	Construction	Australia	69	69
Thiess Hochtief Joint Venture[1]	Construction	Australia	-	50
Thiess United Group Joint Venture[1]	Construction	Australia	50	50
Ventia Services Group Pty Limited	Investment	Australia	47	47
Viridian Noosa Pty Ltd[1]	Development	Australia	-	50

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

29. JOINT VENTURE ENTITIES CONTINUED

			Ownership interest	
Name of entity	Principal activity	Country	December 2019 %	December 2018 %
Viridian Noosa Trust[1]	Development	Australia	-	50
Wallan Project Pty Ltd[1]	Investment	Australia	30	30
Wallan Project Trust	Investment	Australia	30	30
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 as they are aligned with the joint venture partners' reporting date and / or the reporting date is prescribed by local statutory requirements:
[1]*Entities have a 30 June statutory reporting date.*
[2]*Entities have a 31 March statutory reporting date.*

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.

BICC

CIMIC's investment in BICC is held at nil value.

The Group continues to hold a call option to purchase the remaining 55% shareholding in BICC. This option has no current impact on the control of the company. Following the Group's decision to exit the Middle East as at 31 December 2019, the fair value of the call option was determined to be $nil for 31 December 2019 (31 December 2018: US$54.0 million), equivalent to $nil (31 December 2018: $76.1 million).

CIMIC continues to guarantee BICC's facilities. CIMIC has recognised the full value of these guarantees as a financial liability as at 31 December 2019 (31 December 2018: $nil). Refer to Note 4: *Significant item*.

The amounts recognised in profit and loss in the period represent all of CIMIC's exposure in relation to BICC, accordingly management have not presented BICC as a material joint venture.

No other material joint ventures have been identified by management.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

29. JOINT VENTURE ENTITIES CONTINUED

The Group's share of joint venture entities' results, assets and liabilities are as follows:

	12 months to December 2019 $m	12 months to December 2018 $m
Revenue	1,954.7	2,053.8
Expenses	(1,784.1)	(1,897.7)
Earnings before interest and tax (EBIT)	170.6	156.1
Finance income	8.3	0.8
Finance costs	(110.5)	(93.3)
Net finance income / (costs)	(102.2)	(92.5)
Profit / (loss) before tax	68.4	63.6
Income tax (expense) / benefit	(18.0)	(20.6)
Profit / (loss) for the period	50.4	43.0

	December 2019 $m	December 2018 $m Restated^
Current assets	2,070.9	1,865.4
Non-current assets	1,847.6	1,350.0
Total assets	3,918.5	3,215.4
Current liabilities	1,765.8	1,821.4
Non-current liabilities	1,956.5	1,329.9
Total liabilities	3,722.3	3,151.3
The Group's share of joint venture entities' net assets at reporting date	196.2	64.1

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

There were no impairments of investments in joint ventures during the reporting period (31 December 2018: $nil).

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

30. JOINT OPERATIONS

The Group has the following interest in joint operations:

			Ownership interest	
Name of arrangement	Principal activity	Country	December 2019 %	December 2018 %
Baulderstone Leighton Joint Venture	Construction	Australia	50	50
Casey Fields Joint Venture[1]	Development	Australia	33	33
CH2-UGL JV	Construction	Australia	50	50
China State - Leighton Joint Venture	Construction	Hong Kong	-	50
CHT Joint Venture	Construction	Australia	50	50
CPB BAM Ghella UGL Joint Venture	Construction	Australia	54	-
CPB & BMD JV	Construction	Australia	50	50
CPB & Bombardier JV	Construction	Australia	50	50
CPB & JHG JV	Construction	Australia	50	50
CPB Black & Veatch Joint Venture[1]	Construction	Australia	50	50
CPB Dragados Samsung Joint Venture	Construction	Australia	40	40
CPB John Holland Dragados Joint Venture	Construction	Australia	50	50
CPB Samsung John Holland Joint Venture	Construction	Australia	33	33
CPB Seymour Whyte JV	Construction	Australia	50	50
CPB Southbase JV	Construction	New Zealand	60	60
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
JH & CPB & Ghella JV	Construction	Australia	45	45
JHCPB JV	Construction	Australia	50	50
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 - Van Oord Joint Venture	Construction	Hong Kong	45	45
Leighton - China State Joint Venture	Construction	Hong Kong	51	51
Leighton - China State Joint Venture	Construction	Hong Kong	51	51
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	70
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 China State John Holland Joint Venture (City Of Dreams)	Construction	Macau	40	40
Leighton China State Joint Venture (Wynn Resort)	Construction	Macau	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 (formerly Leighton John Holland Joint Venture (Thomson Line)	Construction	Singapore	50	50
Leighton M&E – Southa Joint Venture	Construction	Hong Kong	50	50
Leighton Yongnam Joint Venture	Construction	Singapore	70	70
Leighton York Joint Venture	Construction	Australia	75	75
Leighton-Able Joint Venture	Construction	Hong Kong	51	51

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

30. JOINT OPERATIONS CONTINUED

			Ownership interest	
Name of arrangement	Principal activity	Country	December 2019 %	December 2018 %
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	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	50	50
NRT - Infrastructure Joint Venture	Construction	Australia	50	50
NRT Systems JV	Services	Australia	40	40
OWP Joint Venture (Optus Wireless JV)	Services	Australia	50	50
PTA Radio	Services	Australia	44	-
Rizzani CPB Joint Venture	Construction	Australia	50	50
Swietelsky CPB Rail 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 Degremont JV	Construction	Australia	65	65
Thiess Degremont Nacap Joint Venture[1]	Construction	Australia	33	33
Thiess John Holland Joint Venture (Airport Link)	Construction	Australia	50	50
Thiess John Holland Joint Venture (Eastlink)	Construction	Australia	50	50
Thiess KMC JV	Contract Mining	Canada	51	51
Thiess Macdow Joint Venture[1]	Construction	Australia	-	50
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

for the 12 months to 31 December 2019

31. 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 2019 $m	12 months to December 2018 $m Restated^
(Loss) / profit for the year	(1,037.3)	771.7
Adjustments for:		
- Depreciation of property, plant and equipment	874.0	686.3
- Amortisation of intangibles	43.6	40.8
- Net (gain) / loss on sale of assets	(10.8)	(13.8)
- Impairment of intangibles	-	2.7
- Foreign exchange (gain) / loss	(2.7)	(3.4)
- Interest on lease liabilities	37.3	34.2
- Net amounts set aside to provisions	296.6	236.1
- Provision and asset impairment for Middle East	1,840.2	-
- Share of (profits) / losses of associates	(16.3)	(15.5)
Net changes in assets / liabilities:		
- Decrease / (increase) in receivables	(426.7)	(590.7)
- Decrease / (increase) in joint ventures	(16.6)	16.7
- Decrease / (increase) in inventories	(91.2)	(34.8)
- Increase / (decrease) in payables	125.5	768.2
- Increase / (decrease) in provisions	(300.7)	(234.5)
- Current and deferred income tax movement	(65.4)	236.3
Net cash from operating activities	1,249.5	1,900.3

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

b) Reconciliation of liabilities arising from financing activities

Interest bearing liabilities

	December 2018 $m	Cash flows $m	Addition / acquisition $m	Amortisation of borrowing costs $m	Foreign exchange movement $m	Other $m	December 2019 $m
Interest bearing loans	522.8	390.0	-	3.8	6.3	-	922.9

Lease liabilities

Restated^	December 2018 $m	Cash flows $m	Addition / acquisitions $m	Interest charged $m	Disposals $m	Other $m	December 2019 $m
Lease liabilities	908.9	(320.0)	303.4	37.3	(19.1)	(8.4)	902.1

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

32. ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES AND BUSINESSES

2019 Acquisitions

Majwe Mining

On 18 March 2019, CIMIC through its wholly owned subsidiary Thiess Pty Ltd acquired a controlling interest (70%) in Majwe Mining, a joint venture which Thiess previously owned 60%. The Majwe Mining joint venture comprises of Thiess and Bothakga Burrow Botswana and provides full scope mining services, including drill and on-bench services, mine planning, equipment maintenance, load and haul and mining operations at the Debswana Diamond Company's Jwaneng Mine Cut 9 project in Botswana. The purchase consideration was $6.0 million cash.

The acquisition has been accounted for under AASB 3 *Business Combinations*.

The contribution by Majwe Mining to the Group from the acquisition date to the end of the period ended 31 December 2019 was immaterial. Had the acquisition occurred on 1 January 2019, Majwe Mining's contribution to the Group for the period ended 31 December 2019 would have been immaterial. Majwe Mining is now reported within the Mining segment (refer to Note 33: *Segment information*).

RCR Tomlinson

On 28 February 2019, CIMIC through its wholly owned subsidiary UGL Pty Ltd acquired assets and liabilities from an incorporated company RCR Tomlinson Pty Ltd. This company is an engineering company that operates in the infrastructure, energy and resources sectors. The Group acquired assets in the form of active contracts, plant and equipment as well as liabilities assumed for employee liabilities, bank guarantees and insurance bonds. The purchase consideration was $8.0 million cash, of which $1.8 million was deferred and subsequently paid.

The acquisition has been accounted for under AASB 3 *Business Combinations*.

The active contracts acquired did not have a material contribution to the Group for the period ended 31 December 2019. Had the active contracts been acquired on 1 January 2019, the contribution to the Group for the period ended 31 December 2019 would have been immaterial. The company is now reported within the Services segment (refer to Note 33: *Segment information*).

2018 Acquisitions

Leighton Services UAE Co. LLC

On 1 October 2018, CIMIC through its wholly owned subsidiary LMENA Pty Ltd fully acquired an incorporated company Leighton Services UAE Co. LLC. This company was a 50/50 joint venture between BICC and CIMIC that owns and operates a construction and demolition waste recycling plant, Al Dhafra Recycling Industries LLC (ADRI), under an exclusive concession agreement with Abu Dhabi Centre for Waste Management. The purchase consideration was $22.7m million cash.

The acquisition has been accounted for under AASB 3 *Business Combinations*.

The contribution by the acquired company to the Group from the acquisition date to the end of the period ended 31 December 2018 was immaterial. Had the acquisition occurred on 1 January 2018, the acquired joint operation's contribution to the Group for the year ended 31 December 2018 would have been immaterial. The business is now reported within the Services segment (refer to Note 33: *Segment information*).

Disposals

There were no significant disposals of controlled entities or businesses during the 12 months to 31 December 2019 (31 December 2018: $nil).

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

33. 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
- Corporate
- Public Private Partnerships (PPPs)
- Engineering
- Commercial & Residential
- BIC Contracting ("BICC")

The performance of each segment forms the primary basis for all management reporting to the CODM.

Consistent with prior years, PPPs, Engineering, BICC and Commercial & Residential segments are also included within the Corporate segment results.

The types of activities from which segments derive revenue, are included in Note 1(a): *Significant accounting policies – revenue recognition*. 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 2019 $m	12 months to December 2018 $m	December 2019 $m	December 2018 $m Restated^
Australia Pacific	11,241.0	10,873.2	2,165.0	1,884.2
Asia, Middle East, Americas & Africa	3,460.1	3,797.0	1,333.4	1,388.5
Total	14,701.1	14,670.2	3,498.4	3,272.7

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

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

for the 12 months to 31 December 2019

33. SEGMENT INFORMATION CONTINUED

12 months to December 2019	Construction	Mining & Mineral Processing	Services	Corporate	Eliminations	Significant items	Total
	$m	$m	$m	$m	$m	$m	$m
Revenue							
Segment revenue	7,556.2	4,544.8	3,201.4	1,904.7	-	-	17,207.1
Inter-segment revenue	-	-	-	-	-	-	-
Segment associates and joint venture revenue	(24.1)	(47.9)	(575.0)	(1,859.0)	-	-	(2,506.0)
Revenue	7,532.1	4,496.9	2,626.4	45.7	-	-	14,701.1
Result							
Operating profit	521.8	642.4	169.6	(104.7)	-	-	1,229.1
Significant item	-	-	-	-	-	(2,724.7)	(2,724.7)
Segment EBIT	521.8	642.4	169.6	(104.7)	-	(2,724.7)	(1,495.6)
Net finance income / (costs)	(51.4)	(39.0)	(14.9)	(23.9)	-	-	(129.2)
Segment result	470.4	603.4	154.7	(128.6)	-	(2,724.7)	(1,624.8)
Income tax (expense) / benefit							587.5
Profit / (loss) for the year							(1,037.3)
(Profit) / loss for the year attributable to non-controlling interests							(2.6)
Profit / (loss) for the year attributable to shareholder of the parent entity							(1,039.9)
Other							
Share of profit / (loss) of associates and joint venture entities	(1.4)	3.0	16.2	48.9	-	-	66.7
Depreciation & amortization	(201.7)	(661.6)	(44.7)	(9.6)	-	-	(917.6)
Other material non-cash income / (expenses)	-	-	-	1.4	-	(2,724.7)	(2,723.3)

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

33. SEGMENT INFORMATION CONTINUED

12 months to December 2018 Restated^	Construction $m	Mining & Mineral Processing $m	Services $m	Corporate $m	Eliminations $m	Total $m
Revenue						
Segment revenue	7,972.6	4,125.7	3,152.9	2,001.6	-	17,252.8
Inter-segment revenue	-	-	-	-	-	-
Segment associates and joint venture revenue	(7.4)	(158.8)	(476.4)	(1,940.0)	-	(2,582.6)
Revenue	7,965.2	3,966.9	2,676.5	61.6	-	14,670.2
Result						
Operating profit	644.2	465.1	167.8	(103.4)	-	1,173.7
Significant item	-	-	-	-	-	-
Segment EBIT	644.2	465.1	167.8	(103.4)	-	1,173.7
Net finance income / (costs)	(22.5)	(36.6)	(6.8)	(36.2)	-	(102.1)
Segment result	621.7	428.5	161.0	(139.6)	-	1,071.6
Income tax (expense) / benefit						(299.9)
Profit / (loss) for the year						771.7
(Profit) / loss for the year attributable to non-controlling interests						6.8
Profit / (loss) for the year attributable to shareholder of the parent entity						778.5
Other						
Share of profit / (loss) of associates and joint venture entities	3.6	16.3	17.1	21.5	-	58.5
Depreciation & amortization	(189.8)	(486.3)	(46.2)	(4.8)	-	(727.1)
Other material non-cash income / (expenses)	-	-	-	4.2	-	4.2

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

34. COMMITMENTS

Capital expenditure contracted for at reporting date but not recognised as liabilities is as follows:

	December 2019 $m	December 2018 $m Restated^
Property, plant and equipment		
Payable:		
- within one year	107.5	157.1
- later than one year but not later than five years	5.1	13.1
- later than five years	-	-
Total	112.6	170.2
Investments		
Payable:		
- within one year	15.3	15.3
- later than one year but not later than five years	-	-
- later than five years	-	-
Total	15.3	15.3
Share of Joint Ventures' commitments - property, plant and equipment		
Payable:		
- within one year	4.3	1.9
- later than one year but not later than five years	-	-
- later than five years	-	-
Total	4.3	1.9
Share of Associates' commitments - property, plant and equipment		
Payable:		
- within one year	0.7	0.3
- later than one year but not later than five years	-	-
- later than five years	-	-
Total	0.7	0.3

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

35. 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 2019 $m	December 2018 $m
Bank guarantees	3,005.9	2,771.8
Insurance, performance and payment bonds	1,890.0	1,579.3
Letters of credit	254.6	129.0

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 $201.5 million (31 December 2018: $598.1 million).

Other contingencies

i) The Company gives, 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.

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 40: *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. Since then, ASIC has advised CIMIC that its investigation has concluded and it will take no further action.

The Company has become aware that the UK Serious Fraud Office (SFO) and the US Department of Justice (DoJ) are also inquiring into related matters. The Company continues to cooperate with all official investigations and has entered into an investigation agreement with the DoJ. The Company does not know when any investigation will be concluded. No CIMIC Group company, current or former employee has been charged.

vii) On 6 December 2016, 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 23 November 2016. On 20 December 2019 the Company announced that the proceedings have settled subject to Court Approval.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

35. CONTINGENT LIABILITIES CONTINUED

Other contingencies continued

viii) 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). On 19 December 2019 the Company announced that the Federal Court had approved the Settlement of the proceedings.

36. 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, lease facilities and trade finance facilities. The Group is not subject to any externally imposed capital requirements.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

37. FINANCIAL INSTRUMENTS

a) Classification of financial assets and financial liabilities

Financial assets	12 months to December 2019 $m	12 months to December 2018 $m Restated^
Financial assets at amortised cost:		
Cash and cash equivalents	1,750.0	2,141.7
Short term financial assets and investments	4.5	3.5
Contract debtors	2,607.9	2,297.1
Trade debtors	210.5	167.8
Amounts receivable from related parties	32.1	672.1
Other amounts receivable	825.0	672.9
Financial assets at fair value through profit or loss	112.2	105.4
Derivative financial instruments:		
Used for hedging	9.3	13.7
Held for trading at fair value through profit or loss	-	76.1
Balance at reporting date	5,551.5	6,150.3

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

Financial liabilities	12 months to December 2019 $m	12 months to December 2018 $m Restated^
Financial liabilities at amortised cost:		
Trade and other payables	6,212.8	5,750.7
Financial liability	1,483.4	-
Interest bearing liabilities	922.9	522.8
Lease liabilities	902.1	908.9
Derivative financial instruments:		
Used for hedging	12.6	1.0
Balance at reporting date	9,533.8	7,183.4

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

The Group's exposure to various risks associated with the financial instruments is discussed in Note 37(b): *Financial risk management – Credit risk*. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial asset mentioned above.

Where carrying amounts differ from fair value, these amounts are shown in Note 37(c): *Financial instruments – Fair value hierarchy.* All other assets and liabilities in the Group's consolidated statement of financial position approximate fair values.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

37. FINANCIAL INSTRUMENTS CONTINUED

a) Classification of financial assets and financial liabilities continued

The Group's financial instruments resulted in the following income, expenses and gains and losses recognised in the consolidated statement of profit or loss:

Income, expenses and gains and losses recognised in the statement of profit or loss:	12 months to December 2019 $m	12 months to December 2018 $m
Interest from assets held at amortised cost	56.7	55.3
Net fair value gain / (loss) on equity investments mandatorily measured at FVPL	5.8	6.9
Gain / (loss) on de-recognition of financial assets measured at amortised cost	(48.4)	(22.3)
Net foreign exchange gain / (losses) recognised in profit before income tax for the period	2.7	3.4

In addition to the above, losses have been recognised in the consolidated profit and loss statement in relation to the Middle East exit of $2,724.7 million. Refer to Note 4*: Significant item.*

b) Financial risk management

The activities of the Group result in exposure to credit, liquidity and market risk (equity price, foreign currency and interest rate). To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts, are used to hedge certain foreign currency risk exposures. These instruments reduce the uncertainty of foreign currency transactions.

Financial risk management is controlled by a central treasury department based on financial policies approved by the Board. The central treasury department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The written principles for overall risk management cover specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. The effective portion of the change in the fair value of the hedging instrument is deferred into the cash flow hedge reserve through OCI and will be recognised in profit or loss when the hedged item affects profit or loss. This will effectively result in recognising non-financial assets at the fixed foreign currency rate for the hedged purchases.

Derivatives used for hedging

The Group has the following derivative financial instruments used for hedging:

	12 months to December 2019 $m	12 months to December 2018 $m
Current and non-current assets		
Forward foreign exchange contracts – cash flow hedges	9.3	13.7
Current and non-current liabilities		
Forward foreign exchange contracts – cash flow hedges	12.6	1.0

The Group's accounting policy for its cash flow hedges is set out in Note 1(f): *Derivative financial instruments*. For hedged forecast transactions that result in the recognition of a non-financial asset, the related hedging gains and losses are included in the initial measurement of the cost of the asset.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

37. FINANCIAL INSTRUMENTS CONTINUED

b) Financial risk management continued

i) 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.

The ageing of the Group's receivables at the reporting date was: $383.5 million not due (31 December 2018: $400.0 million); $283.0 million past due (31 December 2018: $261.8 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: 4% (31 December 2018: 5%).

Impairment of financial assets

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In particular, AASB 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk of that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. AASB 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances. The Group has elected to apply this simplified approach, applying the accounting policy set out in Note 1(e)(iii): *Non-derivative financial instruments – impairment*.

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, lease receivables, amounts due from customers, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Low credit risk financial instruments

Some financial instruments are considered low credit risk due to contracts held with certain counterparties, including government organisations with strong capacity to meet contractual cash flow obligations in the near term and not expected to be affected by changes in economic and business conditions.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

37. FINANCIAL INSTRUMENTS CONTINUED

b) Financial risk management continued

i) Credit risk continued

Measuring movements in credit risk

A summary of the categories used to measure credit risk are as follows:

Category	Company definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default, no past due amounts.	12 month expected losses or Lifetime expected losses (simplified approach) where asset life is less than 12 months
Underperforming	Amount is initially past due (unless there is reasonable and supportable information to prove otherwise) or there has been a significant increase in credit risk since initial recognition.	Lifetime expected losses – not credit impaired
Non-performing	Amount is significantly past due (unless there is reasonable and supportable information to prove otherwise) and there is evidence indicating the asset is credit impaired.	Lifetime expected losses – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Asset is written off

The Company considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations. In particular, the following information is taken into account when assessing significant movements in credit risk:

- Internal credit rating;
- External credit rating (as far as available);
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the borrower;
- Significant increases in credit risk on other financial instruments of the same borrower;
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower; and
- Macroeconomic information such as market interest rates and growth rates.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

37. FINANCIAL INSTRUMENTS CONTINUED

b) Financial risk management continued

i) Credit risk continued

Definition of default
The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:
- If there is a material breach of financial covenants by the counterparty and this is not expected to be remedied in the foreseeable future; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is significantly past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:
- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy
The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

37. FINANCIAL INSTRUMENTS CONTINUED

b) Financial risk management continued

i) Credit risk continued

Credit risk exposure
The information below details the credit quality of the Group's financial assets and other items, as well as the Group's maximum exposure to credit risk by categories.

Contract debtors, trade and other receivables
The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. Other than trade receivables relating to the Gorgon Contract disclosed in Note 10: *Trade and other receivables*, there were no other significant concentrations of credit risk. The Group's maximum exposure to credit risk for receivables at the reporting date was $3,675.5 million (31 December 2018: $3,902.8 million). Across all segments, there were no material operational movements over the last 12 months. The split by geography was: Australia Pacific $2,212.8 million (31 December 2018: $1,623.5 million) and Asia, Middle East, Americas & Africa $1,462.7 million (31 December 2018: $2,279.3 million).

Contract debtors, trade and other receivables are rated performing, assessed under the lifetime ECL simplified method and have a net carrying amount of $3,643.4 million (31 December 2018: $3,137.5 million). The loss allowance recognised is less than 3% of the total balance. Related party receivables and loans to joint ventures and associates excluding BICC are rated performing, assessed under the 12 month ECL and have a carrying amount of $32.1 million (31 December 2018: $34.9 million). The loss allowance recognised is less than 3% of the total balance.

Following the decision to exit the Middle East region, the loans to BICC, which are rated as non-performing, assessed under lifetime ECL – credit impaired, have a carrying value of $nil (31 December 2018: $640.7 million). The loss allowance is equal to the face value of the loan. Refer to Note 4: *Significant item*.

	Note	12 months to December 2019 $m	12 months to December 2018 $m
Opening loss allowance as at 31 December 2018		558.6	487.4
Increase in loss allowance recognised in profit or loss during the period		24.4	23.1
Foreign exchange movement		8.0	48.1
Receivables impaired due to Middle East exit	4	1,072.1	-
Closing loss allowance as at 31 December 2019		1,663.1	558.6

Following the Group's decision to exit the Middle East region, the shareholder loans have been impaired to $nil. Refer to Note 4: *Significant item*.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

37. FINANCIAL INSTRUMENTS CONTINUED

b) Financial risk management continued

ii) 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 2019 the Group had undrawn bank facilities of $3,000.0 million (31 December 2018: $2,775.0 million), and undrawn guarantee facilities of $753.4 million (31 December 2018: $1,089.0 million).

Contractual maturities are outlined below however we are not currently aware of any circumstances where the outflows could be significantly different or occur earlier than indicated.

Contractual maturities of financial liabilities and cash flow hedge contracts as at 31 December 2019 are as follows:

December 2019	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	922.9	(1,000.1)	(191.4)	(808.7)	-
Lease liabilities	902.1	(997.9)	(308.6)	(542.0)	(147.3)
Total interest bearing liabilities	1,825.0	(1,998.0)	(500.0)	(1,350.7)	(147.3)
Financial liability	1,483.4	(1,483.4)	(1,483.4)	-	-
Trade and other payables	6,212.8	(6,212.8)	(6,012.0)	(200.8)	-
Derivative financial liabilities / (assets)					
Forward exchange contracts used for foreign currency hedging:					
Net derivative financial liabilities / (assets)[1]	(3.3)				
Inflow		808.0	802.1	5.9	-
Outflow		(811.3)	(805.4)	(5.9)	-
Other cashflow hedges:					
Net derivative financial liabilities / (assets)					
Inflow					
Outflow					
Total net derivative financial liabilities / (assets)	(3.3)	(3.3)	(3.3)	-	-

[1]Net derivative financial liabilities / (assets) relating to foreign currency hedging includes $9.3 million (31 December 2018: $8.6 million) of derivatives in an asset position and $12.6 million (31 December 2018: $1.0 million) of derivatives in a liability position.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

37. FINANCIAL INSTRUMENTS CONTINUED

b) Financial risk management continued

ii) Liquidity risk continued

Contractual maturities of financial liabilities and cash flow hedge contracts as at 31 December 2018:

December 2018 Restated^	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	522.8	(618.9)	(77.5)	(541.4)	-
Lease liabilities	908.9	(1,006.6)	(310.9)	(587.6)	(108.1)
Total interest bearing liabilities	1,431.7	(1,625.5)	(388.4)	(1,129.0)	(108.1)
Trade and other payables	5,750.7	(5,750.7)	(5,668.7)	(82.0)	-
Derivative financial liabilities / (assets)					
Forward exchange contracts used for foreign currency hedging:					
Net derivative financial liabilities / (assets)[1]	(7.5)				
Inflow		534.7	533.5	1.0	0.2
Outflow		(527.2)	(526.0)	(1.0)	(0.2)
Other cashflow hedges:					
Net derivative financial liabilities / (assets)[1]	(5.2)				
Inflow		5.2	5.2	-	-
Outflow		-	-	-	-
Total net derivative financial liabilities / (assets)	(12.7)	12.7	12.7	-	-

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

[1]*Net derivative financial liabilities / (assets) relating to foreign currency hedging includes $9.3 million (31 December 2018: $8.6 million) of derivatives in an asset position and $12.6 million (31 December 2018: $1.0 million) of derivatives in a liability position.*

Trade finance arrangements

The Group enters into various factoring agreements with banks and financial institutions. These agreements only relate to certified receivables, acknowledged by the client with payment only being subject to the passage of time. The factoring of these receivables is done on a non-recourse basis for which the Group may incur a fee in certain instances. The amounts are de-recognised where the risks and rewards of the receivables have been transferred. The level of non-recourse factoring across the Group was $1,960.3 million as at 31 December 2019 (31 December 2018: $1,953.0 million).

The Group also enters into supply chain finance arrangements with financial institutions for suppliers which may elect to receive early payment for goods and services to improve their liquidity. The terms of the arrangements mirror normal credit terms and do not modify the original liability, therefore the amounts continue to be classified within trade and other payables. The level of supply chain finance across the Group was $851.3 million as at 31 December 2019 (31 December 2018: $561.0 million).

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

37. FINANCIAL INSTRUMENTS CONTINUED

b) Financial risk management continued

iii) 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.

Fair values
For the fair values of listed and unlisted investments and derivative equity instruments, see section (c) 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.

iv) 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 $12.6 million (31 December 2018: $7.5 million). It is expected that the current hedged forecast transactions will occur during the periods outlined in section (b(ii)) 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 US$ exchange rates during or at the end of the relevant reporting period, were as follows:

	Assets and liabilities		Statement of Profit or Loss	
	December 2019	December 2018	12 months to December 2019	12 months to December 2018
US$ United States dollar	0.70	0.71	0.70	0.74

At 31 December 2019, the share of the Group's assets and liabilities denominated in US$ was: assets US$3,299.4 million (31 December 2018: US$3,348.4 million restated for AASB 16: *Leases*); liabilities US$2,478.2 million (31 December 2018: US$1,485.2 million restated for AASB 16: *Leases*). The majority of these US$ balances are held in entities with a US$ functional currency.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

37. FINANCIAL INSTRUMENTS CONTINUED

b) Financial risk management continued

iv) Foreign currency risk continued

Sensitivity analysis

A movement in the US$ against the Australian dollar 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 2018.

	Equity		Statement of Profit or Loss	
Restated^	December 2019 $m	December 2018 $m	12 months to December 2019 $m	12 months to December 2018 $m
US$ depreciates by 5% against AU$ (AU$ appreciates)	(24.5)	(125.0)	(5.4)	(3.5)
US$ appreciates by 5% against AU$ (AU$ depreciates)	24.5	125.0	4.8	3.2

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

v) 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',* interest payable on *'Interest bearing loans'* and interest payable on *'lease liabilities'*.

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 $6.5 million (31 December 2018: increased by $3.5 million restated for AASB 16: *Leases*). 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 2019 $m	December 2018 $m Restated^
Fixed rate instruments		
Financial liabilities	(451.9)	(445.5)
Lease liabilities	(324.7)	(271.2)
Total fixed rate instruments	(776.6)	(716.7)
Variable rate instruments		
Financial assets	1,750.0	2,141.7
Financial liabilities	(471.0)	(77.3)
Lease liabilities	(577.4)	(637.7)
Total variable rate instruments	701.6	1,426.7

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

37. FINANCIAL INSTRUMENTS CONTINUED

c) 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 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 2019	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
Financial assets at fair value through profit or loss				
- Listed	1.0	-	-	1.0
- Unlisted	-	-	111.2	111.2
Derivatives				
- Used for hedging	-	9.3	-	9.3
- Held for trading at fair value through profit or loss	-	-	-	-
Total assets	1.0	9.3	111.2	121.5
Liabilities				
Derivatives	-	(12.6)	-	(12.6)
Total liabilities	-	(12.6)	-	(12.6)

31 December 2018	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
Financial assets at fair value through profit or loss				
- Unlisted	-	-	105.4	105.4
Derivatives				
- Used for hedging	-	13.7	-	13.7
- Held for trading at fair value through profit or loss	-	-	76.1	76.1
Total assets	-	13.7	181.5	195.2
Liabilities				
Derivatives	-	(1.0)	-	(1.0)
Total liabilities	-	(1.0)	-	(1.0)

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

37. FINANCIAL INSTRUMENTS CONTINUED

c) 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 2019 $m	12 months to December 2018 $m
Financial assets at fair value through profit or loss		
Balance at beginning of reporting period	105.4	100.0
Additions	5.4	0.1
Disposals	-	(1.5)
Gains recognised through profit or loss	1.4	6.9
Foreign exchange recognised in other comprehensive income	-	(0.1)
Balance at reporting date	112.2	105.4

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.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

37. FINANCIAL INSTRUMENTS CONTINUED

c) 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$214.1 million, equivalent to $305.9 million; carrying value US$201.3 million, equivalent to $287.6 million (31 December 2018: fair value US$208.3 million, equivalent to $293.4 million; carrying value US$201.3 million, equivalent to $283.5 million).
- *Unlisted debt*: Guaranteed Senior Notes fair value US$119.1 million, equivalent to $170.1 million; carrying value US$115.0 million, equivalent to $164.3 million (31 December 2018: fair value US$123.9 million, equivalent to $174.6 million; carrying value US$115.0 million, equivalent to $162.0 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 are included in Level 2 of the fair value hierarchy.

The carrying amounts of other financial assets and liabilities in the Group's statement of financial position approximate fair values.

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 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%	

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

37. FINANCIAL INSTRUMENTS CONTINUED

d) Interest bearing loans

Syndicated loans

On 30 September 2019, CIMIC Finance Limited, a wholly owned subsidiary of the Company, refinanced and expanded one tranche of its core syndicated bank debt facility. The facility now matures across three tranches:
- $1,300 million maturing on 22 September 2022
- $950 million maturing on 25 September 2023
- $950 million maturing on 25 September 2024

Carrying amount at 31 December 2019: $200.0 million (carrying amount at 31 December 2018: $nil). There are $15.9 million of capitalised borrowing costs recognised against the loan facility (31 December 2018: $9.4 million).

Guaranteed Senior Notes

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 2019: US$115.0 million (31 December 2018: US$115.0 million) equivalent to $164.3 million (31 December 2018: $162.0 million), of which US$115.0 million 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 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 2019: US$201.3 million (31 December 2018: US$201.3 million) equivalent to $287.6 million (31 December 2018: $283.5 million).

Bilateral loans

At 31 December 2019, bilateral and other unsecured loan facilities outstanding were $286.9 million (31 December 2018: $86.7 million).

Subsequent event

Subsequent to year end, on 28 January 2020, through its subsidiary CIMIC Finance (USA) Pty Limited, the Group entered into a syndicated banking arrangement for US$1,060.0 million, equivalent to $1,514.3 million.

e) Assets pledged as security

The total carrying value of financial assets pledged as security as at 31 December 2019: $nil (31 December 2018: $nil).

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

37. FINANCIAL INSTRUMENTS CONTINUED

f) 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)	Gross amounts of bank accounts with a credit balance (financial liability)	Net cash amount	Amounts subject to master netting arrangements	Net amount
	$m	$m	$m	$m	$m
December 2019					
Cash[1]	186.7	(13.7)	173.0	-	-
December 2018					
Cash[1]	84.3	(31.3)	53.0	-	-

[1]*The Group has transactional banking facilities that notionally pool grouped bank accounts with credit and debit balances.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

38. EMPLOYEE BENEFITS

a) Rights plans

There were no active right plans in the current or corresponding financial periods.

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 (SARs) to Mr Fernández Verdes subject to a two year vesting period. The SARs 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 SAR is exercised, with a maximum payment per SAR 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 SARs 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 AG for the period up to and including 13 March 2017. The SARs vested in full on 13 March 2016 and are exercisable for three years from the date of vesting. No more than 40% of the SARs can be exercised each year for the first two years after vesting, and any remaining SARs can be exercised in the final year of the exercise period. On 18 October 2016 Mr Valderas was appointed as CEO however Mr Fernández Verdes continues in his capacity as Executive Chairman.

Amount recognised during the reporting period: Loss $1.6 million (31 December 2018: Gain $1.3 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]	$25.26
Original grant	1,200,000
Unexercised rights	
Unexercised rights at 31 December 2017	240,000
- Granted	-
- Exercised	-
- Forfeited/Lapsed	-
Unexercised rights at 31 December 2018	240,000
- Granted	-
- Exercised[2]	(240,000)
- Forfeited/Lapsed	-
Unexercised rights at 31 December 2019	-
Exercisable rights	
- At 31 December 2018	240,000
- At 31 December 2019	-
Non-exercisable rights	
- At 31 December 2018	-
- At 31 December 2019	-

[1]The fair value was valued 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 15 February 2019 was $49.81. Refer to 'Remuneration – Executive Chairman' in the Remuneration Report within this annual report.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

38. 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. 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. In accordance with 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.

On 23 October 2018, the Company determined that all options available to be exercised in years 2 and 3 of the exercise window will be paid in cash in lieu of an allocation of shares. In accordance with AASB 2 Share-based payment, this decision to cash settle is considered a modification of the year 2 and 3 options from equity-settled to cash-settled.

Accordingly, a liability was recognised for cash settlement at each of the dates 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

for the 12 months to 31 December 2019

38. EMPLOYEE BENEFITS CONTINUED

c) Options continued

Amount recognised during the reporting period: Gain $0.5 million (31 December 2018: Expense $0.1 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 2017	311,088
- Granted	-
- Exercised[2]	(121,131)
- Lapsed	(11,444)
Unexercised options at 31 December 2018	178,513
- Granted	-
- Exercised[3]	(74,508)
- Lapsed	-
Unexercised options at 31 December 2019	104,005
Exercisable options	
- At 31 December 2018	81,390
- At 31 December 2019[4]	104,005
Non-exercisable options	
- At 31 December 2018	97,123
- At 31 December 2019	-

[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 2018 was $45.83.*
[3]*The volume weighted average share price during the reporting period to 31 December 2019 was $38.52.*
[4]*All remaining unexercised vested options available to exercise in the final year of the exercise window.*

Other information

No further offers will be made under the Short-Term Incentive Plan (STI) Deferral.

d) Defined contribution superannuation funds

During the period, the Group recognised $227.1 million (31 December 2018: $205.3 million) of defined contribution expenses.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

39. RELATED PARTY DISCLOSURES

a) Key management personnel (KMP)

KMP compensation:

	12 months to December 2019 $'000	12 months to December 2018 $'000
Short-term employee benefits	6,061	7,836
Post-employment benefits	133	131
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	1,409	(930)
Total KMP compensation	7,603	7,037

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 and Principal of Harveys Consulting, both of 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 2019

39. 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 2019 $'000	December 2018 $'000
Aggregate amounts receivable from related parties at reporting date		
Associates[1]	13,200	13,927
Joint venture entities[1]	23,472	661,663
Aggregate amounts payable to related parties at reporting date		
Associates	(3,338)	(3,389)
Joint venture entities	(12,999)	(16,793)

[1]*Refer to Note 10: Trade and other receivables, which contains the disclosure of interest free and interest bearing loan receivables from BICC.*

	12 months to December 2019 $'000	12 months to December 2018 $'000
Revenue – income from related parties		
Associates	3,822	4,075
Joint venture entities	11,045	7,947
Revenue - interest received / receivable from related parties		
Associates	4,027	1,074
Joint venture entities	25,203	23,891
Revenue - unwinding of discounts on non-current receivables - related parties		
Associates	-	-
Joint venture entities	2,916	2,808
Finance costs - impact of discounting - related parties		
Associates	(49)	(49)

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

39. RELATED PARTY DISCLOSURES CONTINUED

b) Transactions with other related parties continued

	December 2019 Number of employees	December 2018 Number of employees
Number of employees		
Number of employees at reporting date[1]	40,200	47,000

[1] Includes a proportional share of employees of Ventia and BICC.

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 2018: 7).

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 and alternate director Mr R Seidler were directors of HOCHTIEF Australia Holdings Limited during the period.

CIMIC Directors Messrs Fernández Verdes, del Valle Pérez and López Jiménez were officers of ACS during the period.

At the date of this financial report, being 4 February 2020, 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 2019

40. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES

a) Parent entity disclosures

As at, and throughout, the financial year ended 31 December 2019 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 2019 is set out below:

	Company	
	12 months to December 2019 $m	12 months to December 2018 $m
Comprehensive income		
Profit / (loss) for the period	(4,236.9)	(11.9)
Other comprehensive income	-	-
Total comprehensive income for the period	(4,236.9)	(11.9)

	December 2019 $m	December 2018 $m
Statement of Financial Position		
Current assets	141.9	68.6
Non-current assets	2,923.5	4,446.3
Total assets	3,065.4	4,514.9
Current liabilities	3,224.3	30.9
Non-current liabilities	1,468.2	1,348.4
Total liabilities	4,692.5	1,379.3
Net assets / (net liabilities)	(1,627.1)	3,135.6
Equity		
Share capital	1,738.4	1,750.3
Reserves	(96.7)	(91.9)
Retained earnings / (accumulated losses)	(3,268.8)	1,477.2
Total equity	(1,627.1)	3,135.6

The loss for the Company in the period is due to the exit from the Middle East, refer to *Note 4: Significant item*. Certain intra-group amounts within the consolidated group have now crystallised in the parent entity following this decision and have adversely impacted the profit and loss for the period. The company has the ability to draw on all Group financing facilities and has access to $2,814.3 million of underlying retained earnings relating to its subsidiaries.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

40. 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	(B)	100%	VIC
A.C.N. 151 868 601 PTY. LTD.	(B)	100%	VIC
Access Arterial NRU Finance Pty Limited		100%	VIC
Access Arterial SERU Finance Pty Limited		100%	VIC
Arus Tenang SND BHD		100%	Malaysia
Ausindo Holdings Pte Ltd		100%	Singapore
BCJHG Nominees Pty Ltd	(B)	100%	VIC
BCJHG Trust	(B)	100%	VIC
Boggo Road Project Pty Limited	(B)	100%	QLD
Boggo Road Project Trust	(B)	100%	QLD
Broad Construction Pty Ltd[1]	(B)	100%	QLD
Broad Construction Services (NSW/VIC) Pty Ltd	(B)	100%	WA
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 No. 2 Pty Limited[1]	(B)	100%	VIC
CIMIC Group Investments Pty Limited	(B)	100%	VIC
CIMIC Group Limited[5]	(B)		VIC
CIMIC Residential Investments Pty Ltd	(B)	100%	VIC
CMENA No. 1 Pty Limited	(A) (B)	100%	VIC
CMENA Pty Limited	(A) (B)	100%	VIC
CPB Contractors (PNG) Limited		100%	Papua New Guinea
CPB Contractors Pty Ltd[1]	(B)	100%	NSW
CPB Contractors UGL Engineering Joint Venture	(B)	100%	VIC
Curara Pty Ltd		100%	WA
D.M.B. Pty. Ltd.		59%	QLD
DAIS VIC Pty Ltd		100%	VIC
Devine Bacchus Marsh Pty Ltd		59%	QLD
Devine Building Management Services Pty Ltd		59%	QLD
Devine Constructions Pty Ltd		59%	QLD
Devine Funds Pty Ltd		59%	VIC
Devine Funds Unit Trust		59%	QLD
Devine Homes Pty Ltd		59%	QLD
Devine Land Pty Ltd		59%	QLD
Devine Limited		59%	QLD
Devine Management Services Pty Ltd		59%	QLD

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

40. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
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
DoubleOne 3 Building Management Services Pty Ltd		59%	QLD
DoubleOne 3 Pty Ltd		59%	QLD
EIC Activities Pty Ltd	(B)	100%	New Zealand
EIC Activities Pty Ltd (NZ)		100%	VIC
Fleetco Canada Rentals Ltd		100%	Canada
Fleetco Chile SPA		100%	Chile
Fleetco Holdings Pty Limited	(B)	100%	VIC
Fleetco Management Pty Limited	(B)	100%	VIC
Fleetco Rentals 2017 Pty. Limited	(B)	100%	VIC
Fleetco Rentals AN Pty. Limited	(B)	100%	VIC
Fleetco Rentals CT Pty. Limited	(B)	100%	VIC
Fleetco Rentals Enzo Pty Ltd	(B)	100%	QLD
Fleetco Rentals HD Pty. Limited	(B)	100%	VIC
Fleetco Rentals Magni Pty Limited	(B)	100%	VIC
Fleetco Rentals No. 1 Pty Limited	(B)	100%	VIC
Fleetco Rentals Omega Pty Limited (formerly known as Fleetco Finance 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
Giddens Investment Limited		100%	Hong Kong
Hamilton Harbour Developments Pty Ltd		80%	QLD
Hamilton Harbour Unit Trust (Devine Hamilton Unit Trust)		80%	VIC
Hunter Valley Earthmoving Co Pty Ltd	(B)	100%	NSW
HWE Cockatoo Pty Ltd	(B)	100%	NT
HWE Mining Pty Limited	(B)	100%	VIC
Inspection Testing & Certification Pty Ltd	(B)	100%	WA
Jarrah Wood Pty Ltd	(B)	100%	WA
JH ServicesCo Pty Ltd	(B)	100%	VIC
JHAS Pty Ltd	(B)	100%	VIC
JHI Investment Pty Ltd	(B)	100%	VIC
Kings Square Developments Pty Ltd	(B)	100%	QLD

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

40. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
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
Leighton Contractors Pty Ltd	(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 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[4]		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 No. 4		100%	Mauritius
Leighton Joint Venture		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

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

40. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
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
Leighton Services UAE Co LLC		100%	United Arab Emirates
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
Majwe Mining (Proprietary) Limited		70%	Botswana
MTCT Services Pty Ltd[1]	(B)	100%	WA
Nexus Point Solutions Pty Ltd	(B)	100%	NSW
Newest Metro Pty Ltd		100%	NSW
Oil Sands Employment Ltd		100%	Canada
Olympic Dam Maintenance Pty Ltd	(B)	100%	SA
Opal Insurance (Singapore) Pte Ltd		100%	Singapore
Optima Activities Pty Ltd	(B)	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		100%	New Zealand
Pioneer Homes Australia Pty Ltd		59%	QLD
PT Leighton Contractors Indonesia		95%	Indonesia
PT Thiess Contractors Indonesia		99%	Indonesia
RailFleet Maintenance Services Pty Ltd	(B)	100%	NSW
Regional Trading Limited		100%	Hong Kong
Riverstone Rise Gladstone Pty Ltd		59%	QLD
Riverstone Rise Gladstone Unit Trust		59%	QLD
Sedgman Asia Ltd		100%	Hong Kong

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

40. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
Sedgman Botswana (Pty) Ltd		100%	Botswana
Sedgman Canada Limited		100%	Canada
Sedgman Chile SPA		100%	Chile
Sedgman Consulting Pty Ltd	(B)	100%	QLD
Sedgman CPB Joint Venture (SCJV)	(B)	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		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 (Colombia)		100%	Colombia
Sedgman South Africa (Proprietary) Ltd		100%	South Africa
Sedgman South Africa Holdings (Proprietary) Ltd		100%	South Africa
Sedgman USA Inc	(A)	100%	United States
Silverton Group Pty Ltd	(B)	100%	WA
Sustaining Works Pty Limited	(B)	100%	QLD
Talcliff Pty Ltd		59%	QLD
Tambala Pty Ltd		100%	Mauritius
Tasconnect Finance Pty Limited		100%	VIC
Telecommunication Infrastructure Pty Ltd	(B)	100%	VIC
Thai Leighton Limited		100%	Thailand
Thiess (Mauritius) Pty Ltd		10+0%	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 Canada Oil Sands No. 1 Ltd		100%	Canada
Thiess India Pvt Ltd[4]		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
Thiess Minecs India Pvt Ltd[4]		90%	India
Thiess Mining Maintenance Pty Ltd	(B)	100%	QLD

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

40. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
Thiess Mongolia LLC		100%	Mongolia
Thiess Mozambique Limitada		100%	Mozambique
Thiess NZ Limited		100%	New Zealand
Thiess Pty Ltd	(B)	100%	QLD
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[3]		100%	Canada
UGL Engineering Private Limited		100%	India
UGL Engineering Pty Ltd[1]	(B)	100%	NSW
UGL Operations and Maintenance (Services) Pty Limited[1]	(B)	100%	QLD
UGL Operations and Maintenance Pty Ltd[1]	(B)	100%	VIC
UGL Pty Limited[1]	(B)	100%	WA
UGL Rail (North Queensland) Pty Ltd	(B)	100%	QLD
UGL Rail Fleet Services Pty Limited	(B)	100%	NSW
UGL Rail Pty Ltd	(B)	100%	NSW
UGL Rail Services Pty Limited[1]	(B)	100%	NSW
UGL Resources (Contracting) Pty Ltd	(B)	100%	VIC
UGL Resources (Malaysia) Snd Bhd		100%	Malaysia
UGL Unipart Rail Services Pty Ltd		70%	VIC
UGL Utilities Pty Ltd (Formerly known as Newcastle Engineering Pty Ltd)	(B)	100%	NSW
United Goninan Construction Pty Ltd	(B)	100%	NSW
United Group Infrastructure (NZ) Limited		100%	New Zealand
United Group Infrastructure (Services) Pty Ltd	(B)	100%	NSW
United Group International Pty Ltd	(B)	100%	NSW
United Group Investment Partnership[3]		100%	USA
United Group Melbourne Transport Pty Ltd	(B)	100%	VIC
United Group Water Projects (Victoria) Pty Ltd	(B)	100%	NSW
United Group Water Projects Pty Ltd	(B)	100%	VIC
United KG (No. 1) Pty Ltd	(B)	100%	NSW
United KG (No. 2) Pty Ltd	(B)	100%	VIC
United KG Construction Pty Ltd	(B)	100%	ACT

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

40. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

b) Controlled entities continued

Name of entity		Interest held	Place of incorporation
United KG Engineering Services Pty Ltd	(B)	100%	VIC
United KG Maintenance Pty Ltd	(B)	100%	WA
Wai Ming M&E Limited		100%	Hong Kong
Western Port Highway Trust	(B)	100%	VIC
Wood Buffalo Employment Ltd	(A)	100%	Canada

[1] *These companies have the benefit of ASIC Instrument 2016/785 as at 31 December 2019.*

[2] *These companies are parties to the Deed of Cross Guarantee but do not have the benefit of the ASIC Instrument 2016/785 as at 31 December 2019.*

[3] *Entity has a 30 June reporting date.*

[4] *Entity has a 31 March reporting date.*

[5] *This company is a party to the Deed of Cross Guarantee as Holding Entity.*

(A) *Incorporated / established in the 2018 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.

c) Acquisition and disposal of controlled entities

Refer to Note 32: *Acquisitions and disposals of controlled entities and businesses* for further details.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

40. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

d) Liquidation of controlled entities

The following controlled entities have been liquidated during the period to 31 December 2019 as they are no longer required by the Group in the ordinary course of business:

- Ashmore Developments Pty Ltd
- City West Property Holdings Pty Ltd
- City West Property Investments (No. 1)
- City West Property Investments (No. 2)
- City West Property Investments (No. 3)
- City West Property Investments (No. 4)
- City West Property Investments (No. 5)
- City West Property Investments (No. 6)
- Viridian Noosa Pty Ltd
- Viridian Noosa Trust
- BKP Electrical Ltd (Fiji)
- Moorookyle Devine Pty Ltd
- Devine Woodforde Pty Ltd
- Devine Colton Avenue Pty Ltd
- Sedgman LLC (Mongolia)

e) Parent entity commitments and contingent liabilities

Contingent liabilities under indemnities given on behalf of controlled entities in respect of the parent: bank guarantees: $2,721.3 million (31 December 2018: $2,699.8 million); insurance bonds: $1,883.2 million (31 December 2018: $1,566.4 million); letters of credit: $254.6 million (31 December 2018: $128.9 million).

During the reporting period, the parent was released from bank guarantees totalling $nil (31 December 2018: $nil), insurance, performance and payments bonds totalling $nil (31 December 2018: $nil) and letters of credit totalling $nil (31 December 2018: $nil) 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 2018: $nil).

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

40. 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 2019. 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 2019 %	December 2018 %	December 2019 %	December 2018 %
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[1]	Services	Australia	100	100	-	-

[1]CPB Contractors Pty Limited and UGL Pty Limited have the benefit of ASIC Instrument 2016/785 as at 31 December 2019. For further information, refer to section (i).

Non-controlling interests

There were no material non-controlling interests relating to the Company's material subsidiaries disclosed above as at 31 December 2019. There were no material transactions with non-controlling interests during the period to 31 December 2019.

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 21*: Interest bearing liabilities* and Note 34*: Commitments.*

The table below provides a summary of the Group's exposure to unconsolidated structured entities.

Exposures to unconsolidated structured entities	December 2019 $m	December 2018 $m Restated^
Lease liabilities	457.9	309.4
Total liabilities due to unconsolidated structures	457.9	309.4

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

40. 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: $898.1 million (31 December 2018: 1,318.1 million); aggregate amounts payable: $4,616.2 million (31 December 2018: $1,347.3 million); interest received / receivable: $22.4 million (31 December 2018: $36.1 million); interest paid / payable: $20.1 million (31 December 2018: $24.2 million); fees charged: $nil (31 December 2018: $nil); dividends received: $146.0 million (31 December 2018: $nil); fees paid: $130.0 million (31 December 2018: $118.0 million).

i) Deed of Cross Guarantee

Pursuant to the ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (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 CIMIC Deed under certain provisions of the Corporations Act. 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.

As at 31 December 2019, the following entities are party to the CIMIC Deed and seek to rely on financial reporting relief in respect of the financial year ended 31 December 2019:

- 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);
- CIMIC Group Investments No.2 Pty Ltd (ACN 610 264 189);
- 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);
- MTCT Services Pty Ltd (ACN 070 140 251);
- 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).

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

40. 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 CIMIC Deed, after eliminating all transactions between parties to the CIMIC Deed, at 31 December 2019 is set out below:

Deed of Cross Guarantee	12 months to December 2019 $m	12 months to December 2018 $m Restated^
Statement of Profit or Loss		
Profit / (loss) before tax	(5,011.1)	704.8
Income tax (expense) / benefit	658.6	(167.2)
Profit / (loss) for the period	(4,352.5)	537.6
Retained earnings brought forward	4,061.1	4,153.0
Adjustments for entities added/removed and new accounting standards	-	(159.3)
Dividends paid	(509.1)	(470.2)
Retained earnings at reporting date	(800.5)	4,061.1

The loss in the period is due to the exit from the Middle East, refer to Note 4: *Significant item*. Certain intra-group amounts within the consolidated group have now crystallised following this decision and have adversely impacted the profit and loss for the period.

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

40. CIMIC GROUP LIMITED AND CONTROLLED ENTITIES CONTINUED

i) Deed of Cross Guarantee continued

Deed of Cross Guarantee	December 2019 $m	December 2018 $m Restated^
Statement of Financial Position		
Assets		
Cash and cash equivalents	811.7	1,363.0
Trade and other receivables	3,173.0	2,360.4
Inventories: consumables and development properties	265.8	109.2
Total current assets	4,250.5	3,832.6
Trade and other receivables	1,611.5	3,706.8
Investments	922.9	1,518.7
Property, plant and equipment	635.7	489.8
Deferred tax asset	706.6	-
Intangibles	608.6	613.3
Total non-current assets	4,485.3	6,328.6
Total assets	8,735.8	10,161.2
Liabilities		
Trade and other payables	8,024.1	4,354.9
Current tax liabilities	6.5	8.8
Provisions	146.5	144.3
Lease liabilities	50.2	61.1
Interest bearing liabilities	-	50.7
Total current liabilities	8,227.3	4,619.8
Trade and other payables	67.8	727.5
Provisions	37.2	36.2
Interest bearing liabilities	434.1	-
Lease liabilities	237.9	231.8
Deferred tax liabilities	-	235.1
Total non-current liabilities	777.0	1,230.6
Total liabilities	9,004.3	5,850.4
Net assets	(268.5)	4,310.8
Equity		
Share capital	1,738.4	1,750.3
Reserves	(1,206.4)	(1,502.4)
Retained earnings	(800.5)	4,062.9
Total equity	(268.5)	4,310.8

^Amounts have been restated due to the adoption of AASB 16: *Leases* where required, as discussed in Note 1: *Summary of significant accounting policies – basis of preparation.*

Notes to the Consolidated Financial Statements

for the 12 months to 31 December 2019

41. NEW ACCOUNTING STANDARDS

New accounting standards

Had AASB 16 *Leases* not been applied and the financial statements were still produced under previous guidance, including AASB 117 *Leases*, the financial report for the year ended 31 December 2019 would have been impacted as follows:

- The consolidated statement of financial position as at 31 December 2019 would be impacted by:
  - Reducing property, plant and equipment by the right of use assets balance, $775.9 million; and
  - Reducing the current and non-current liabilities by the lease liabilities, $902.1 million.
  - This would have a net increase of $126.2 million on the Group's net assets.
- The consolidated statement of profit or loss and the consolidated statement of other comprehensive income would be impacted by:
  - Reducing depreciation by the amount related to right of use assets, $285.4 million;
  - Reducing finance costs by the interest charged on lease liabilities, $37.3 million; and
  - Increasing operating lease expenses by a similar amount for depreciation and finance costs, as the net impact on the profit and loss for the current period would not be material for the operating leases that would have been recognised under the preceding standard.

Standards in issue but not yet effective

- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an investor and its Associate or Joint Venture
- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
- AASB 2018-7 Amendment to Australian Accounting Standards – Definition of Material
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB Conceptual Framework for Financial Reporting
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform

42. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to reporting date:

- On 23 January 2020 the Group announced its decision to exit the Middle East Region. Refer to *Note 4: Significant item.*
- On 28 January 2020, through its subsidiary CIMIC Finance (USA) Pty Limited, the Group entered into a syndicated banking arrangement for US$1,060.0 million, equivalent to $1,514.3 million.
- On 4 February 2020 the Group appointed a new Chief Executive Officer and Managing Director, Juan Santamaria. The appointment is effective from 5 February 2020.
- The Group determined that no final dividend would be paid for the year ending 31 December 2019.
- The Directors approved the financial report on 4 February 2020.

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 138-232, 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 2019 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 40 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 2019.

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 4th day of February 2020.

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

Grosvenor Place, 225 George Street,
Sydney NSW 2000
PO Box N250 Grosvenor Place,
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

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 2019, 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 2019 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.

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Recognition of construction revenue and recovery of related contract receivables and contract assets including recovery of Gorgon LNG Jetty and Marine Structures Project contract assets **Refer to Note 1(a) 'Revenue recognition', Note 2 'Revenue' and Note 10 'Trade and other receivables'.** As disclosed in Note 1(a), construction revenues are recognised over time as performance obligations are fulfilled over time. 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 and measurement of progress towards satisfaction of performance obligations; • 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 changes in scope and/or price; and • Estimation of project completion date. The Group recognises in contract assets and contract receivables progressive measurement of the value to customers of goods and services transferred and 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 Saipem SA and Saipem Portugal Comercio Maritime LDA ("Saipem") (together "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 disclosed in Note 10 contract assets include an amount of $1.15 billion (31 Dec 2018: $1.15 billion) in relation to the Gorgon Contract being revenue CIMIC has recognised in prior reporting periods in accordance with the relevant accounting standards. On 9 February 2016, although negotiations continued, the Consortium formally issued a Notice	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: - 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 contract modifications resulting in 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 as appropriate, 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 measurement of the value to customers of goods and services transferred, and evaluating evidence of such transfer; - assessing the forecast costs to complete through discussion and challenging of project managers and finance personnel; - testing contractual entitlement relating to contract modifications, variations and claims recognised within contract revenue to supporting documentation

Deloitte.

of Dispute to Chevron pursuant to the relevant provisions of the Gorgon Contract and moved into an arbitration prescribed by the contract ("Chevron arbitration"). Since December 2016 the arbitration has continued in accordance with the contractual terms. The Arbitrators were appointed, made orders for the conduct of the proceedings and held hearings during 2019 with a determination expected to follow in 2020. 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 Corporation Inc., KBR Inc. and related companies. Additionally, there is an arbitration procedure against Saipem pursuant to the Consortium Agreement seeking recovery of outstanding amounts ("Saipem arbitration"). The arbitration continues in accordance with the contractual processes; arbitrators have been appointed, orders for the conduct of the arbitration have been made, and it is anticipated that hearings will commence in 2020 with a determination thereafter. We focused on recognition of construction revenue and recovery of related contract assets and contract receivables including recovery of Gorgon LNG Jetty and Marine Structures Project contract assets as a key audit matter 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 receivables and contract assets.	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: - evaluating the probability and timing of recovery of outstanding amounts by reference to the status of contract negotiations, the status of the Chevron arbitration and Saipem arbitration processes, the status of legal proceedings and other supporting documentation; - enquiring of management and internal legal counsel in respect of the current status of negotiations with Chevron; - enquiring of internal legal counsel on the status of proceedings in the United States courts against Chevron Corporation and KBR Inc.; and - reading documents submitted into the Chevron arbitration process and transcripts of closing statements made in arbitration, and enquiring of management, internal legal counsel and management appointed external legal counsel in respect of the current status of the arbitration process. • Assessing the appropriateness of the relevant disclosures in the financial statements.

Provisions and asset impairment in relation to Middle East exit **Refer to Note 4 'Significant item', Note 10 'Trade and other receivables' and Note 42 'Events subsequent to reporting date'.** Following the Group's completion of its strategic review of its financial investment in BIC Contracting LLC ("BICC"), on 23 January 2020 CIMIC announced its decision to exit the Middle East region resulting in provisions and asset impairments of $2,724.7 million before tax ($1,840.2 million after tax). Management assessed the financial implications of the Middle East exit and recognised: • impairments in respect of shareholder loans receivable from BICC, a derivative financial asset to acquire shares, and other Middle East related assets; • provisions for obligations under the Group's financial guarantees of certain BICC financial undertakings and other amounts payable; and • a tax benefit relating to these impairments and provisions. Subsequent to year end, the Group entered into a syndicated banking arrangement to meet all obligations including amounts expected to be paid as the Group's financial guarantees of certain BICC financial undertakings materialise. We focused on this area as a key audit matter as the accounting associated with the Middle East exit requires significant judgements and estimates in determining the amounts recognised in the financial statements.	Our procedures included, amongst others: • Evaluating the estimates and judgements in management's assessment of: - impairments of shareholder loans receivable from BICC, a derivative financial asset to acquire shares, and other Middle East related assets; and - provisions for financial guarantees issued by the Group, and other Middle East exit costs. • Evaluating the accounting consequences, and in conjunction with our tax experts, the taxation implications, of the Middle East exit. • Assessing the sufficiency, as well as the terms and conditions of the syndicated banking arrangement entered into by the Group to fund the expected payment of financial guarantee contracts of certain of BICC's financial undertakings. • Assessing the appropriateness of the relevant disclosures in the financial statements.
Recoverability of deferred tax assets for carried forward capital losses **Refer to Note 15 'Deferred taxes'.** As at 31 December 2019 the Group has recognised deferred tax assets of $826.5 million (31 Dec 2018: $nil) relating to carried forward capital losses. Such capital losses arose from the taxation implications and the accounting consequences of the Group's decision to exit the Middle East region. The recoverability of the deferred tax assets for carried forward capital losses is dependent on the availability of sufficient capital gains in subsequent years and the ability to satisfy certain statutory tests at the time the losses are recouped. We focused on this area as a key audit matter as there are significant judgements and estimates required in determining the recorded amounts, in assessing the likelihood of future capital gains being available and estimating such capital gains.	In conjunction with tax experts, our procedures included, amongst others: • Assessing the appropriateness of the deferred tax assets calculations prepared by management in accordance with relevant accounting standards and applicable tax regulations. • Evaluating management's assessment of the probability of future capital gains to be realised and evidence supporting such assessment. • Assessing the appropriateness of the relevant disclosures in the financial statements.

Deloitte.

Carrying value of construction goodwill **Refer to Note 17 'Intangibles'.** Included in the Group's consolidated statement of financial position at 31 December 2019 is goodwill relating to the Construction segment of $451 million (31 Dec 2018: $452 million). Management has assessed the recoverable amount of the goodwill relating to the Construction segment utilising discounted cash flow models which require significant management judgement in respect of certain 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 in the selection of assumptions involved in forecasting future cash flows.	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: - discount rate; - forecast cash flows; - growth rates by reference to recent bid wins and pipeline of prospective projects; and - terminal growth rate. • Corroborating 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. • 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. The other information comprises the information included in the Company's annual report for the year ended 31 December 2019, 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.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 46 to 57 of the Directors' Report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of CIMIC Group Limited, for the year ended 31 December 2019, 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, 4 February 2020


CPB
CPB

Mackay Ring Road

CPB Contractors, Queensland, Australia

The Mackay Ring Road project in Queensland will reduce the frequency of heavy freight vehicles and hazardous loads travelling through Mackay's city centre, and significantly improve the operation of local, regional and national road networks.

CPB Contractors is working with the Department of Transport and Main Roads to deliver Stage 1 of the project, which includes an 11.3km highway to divert traffic from the Bruce Highway at Stockroute Road (south of Mackay) to the Bald Hill Road intersection (north of Mackay); 13 bridge structures; four underpasses for local traffic; and two dual-lane roundabouts.

Leveraging its extensive roads and major project experience, CPB Contractors continues to deliver the work efficiently and to the highest safety standards.

The delivery team is also using its procurement strategy to expand the project's social benefits. By allocating work to local companies wherever practical, the project is generating local employment and building the region's skills and capabilities for the future.

Shareholdings

The information below is current as at 20 January 2020.

TWENTY LARGEST SHAREHOLDERS

The 20 largest shareholders on the Company's register of members held 91.91% of the Company's issued capital.

Name	No. of shares	% of issued capital
HOCHTIEF AUSTRALIA HOLDINGS LIMITED	235,661,965	72.80
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	26,736,719	8.26
JP MORGAN NOMINEES AUSTRALIA PTY LIMITED	14,643,535	4.52
CITICORP NOMINEES PTY LIMITED	7,824,971	2.42
NATIONAL NOMINEES LIMITED	5,622,331	1.74
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	1,850,722	0.57
MILTON CORPORATION LIMITED	845,739	0.26
BNP PARIBAS NOMS PTY LTD <DRP> A/C>	630,187	0.19
AMP LIFE LIMITED	603,756	0.19
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	483,530	0.15
GWYNVILL INVESTMENTS PTY LIMITED	427,188	0.13
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	399,105	0.12
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	369,953	0.11
3RD WAVE INVESTORS LTD	300,000	0.09
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	249,021	0.08
GWYNVILL TRADING PTY LIMITED	244,791	0.08
BKI INVESTMENT COMPANY LIMITED	175,251	0.05
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	168,060	0.05
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING COLLATERAL>	156,000	0.05
NATIONAL NOMINEES LIMITED <N A/C>	140,000	0.04
Total	**297,532,824**	**91.91**
Total shares on issue	**323,726,756**	**100**

DISTRIBUTION SCHEDULE

The Company has 323,726,756 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	26,520	7,029,654	2.17
1,001 – 5,000	4,873	10,065,280	3.11
5,001 – 10,000	477	3,363,049	1.04
10,001 – 100,000	205	4,674,218	1.44
100,001 and over	29	298,594,555	92.24
Total	**32,104**	**323,726,756**	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 693 shareholders with less than a marketable parcel (15 shares), based on the closing market price of $34.94 on 20 January 2020.

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.

[#] On 29 October 2018, Atlantia S.p.A. became a substantial holder as reflected in the substantial shareholding notice given to the Company on 6 November 2018.

SHARE RIGHTS

The Company has zero share rights on issue.

OPTIONS

The Company has 104,005 options on issue. The distribution is as follows:

Size of holding	No. of holders	Options
1 – 1,000	-	-
1,001 – 5,000	16	35,303
5,001 – 10,000	2	12,114
10,001 – 100,000	3	56,588
100,001 and over	-	-
Total	**21**	**104,005**

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)
- Online: www.investorcentre.com/contact
- Post: GPO Box 2975, Melbourne, VIC, 3001, Australia

REGISTERED OFFICE

Principal registered office in Australia
Level 25, 177 Pacific Highway, North Sydney, NSW, 2060, Australia
Telephone: +61 2 9925 6666
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/corporate-governance).

ANNUAL GENERAL MEETING

The 59th 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 1 April 2020. 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/en/contact-us.

Glossary

Term	Description
2Q19	Second quarter of the 2019 Financial Year
3Q19	Third quarter of the 2019 Financial Year
4Q19	Fourth quarter of the 2019 Financial Year
2018 Financial Year/ FY 2018 / FY18	Financial year ending 31 December 2018
2019 Financial Year/ FY 2019 / FY19	Financial year ending 31 December 2019
FY20	Financial year ending 31 December 2020
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)
Atlantia	Atlantia S.p.A.
Australian Accounting Standards	Australian Accounting Standards developed, issued and maintained by the AASB
BIC Contracting or BICC	BIC Contracting LLC (formerly HLG Contracting LLC)
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 of CIMIC
CEO and Managing Director	CEO and Managing Director of CIMIC
CFO	Chief Financial Officer of CIMIC
Class 1 Injury / C1I	A fatality or permanently disabling injury
CO2-e or Carbon dioxide equivalent	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

Term	Description
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, now known as BIC Contracting or BICC
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
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
Leighton Properties	Leighton Properties Pty Limited
LNG	Liquefied natural gas
LTI	Long-Term Incentive
Moody's	Moody's Investors Service
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
PPP	Public private partnership
Principles	CIMIC Group Limited Principles of integrity, accountability, innovation underpinned by safety.

Term	Description
Safety Essentials	A core element of the safety management system that provides critical controls, procedures and governance processes specifically designed to safely manage high-risk activities.
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
UGL or Services	UGL Pty Limited
Ventia	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
Whistleblower Policy	CIMIC Group Whistleblower Policy

Peak Downs coal mine
Thiess, Queensland, Australia

CIMIC GROUP INCLUDES

CIMIC

CPB CONTRACTORS

LEIGHTON

BROAD CONSTRUCTION

Trusted experience.
Integrated solutions.

For more information please contact CIMIC:
Level 25, 177 Pacific Highway, North Sydney NSW 2060, Australia
PO Box 1002, Crows Nest NSW 1585, Australia
T +61 2 9925 6666 F +61 2 9925 6000

CIMIC.COM.AU