

**2018
CORPORATE
GOVERNANCE
STATEMENT** |

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement (Statement) indicates Devine Limited's (Devine or Company) conformance with the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition) (Principles and Recommendations), as required by the ASX Listing Rules. It has been summarised into sections in line with the eight core corporate governance principles as specified by the Principles and Recommendations.

The Statement contains specific information in relation to the governance practices adopted by Devine and in compliance with the "if not, why not" regime, areas of non-compliance are disclosed under the relevant principle and where the Company has not adopted a recommendation, the Statement will explain why.

An assessment of the Company's governance practices against the Principles and Recommendations has been undertaken by the Board and Devine's Management. The Company's governance practices as disclosed in this Statement are expected to achieve good governance outcomes and meet the reasonable expectations of most investors in most situations.

Documents supporting the Company's Corporate Governance framework referenced in this Statement are available in the 'Investor Relations' section on the Company's website at the following link: www.devinegroup.com.au.

This Statement is current as at 29 March 2019, and has been approved by the Board.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role of the Board and Management

The Board acts on behalf of the Company's shareholders and is accountable to them as its agents. It appoints a management team headed by the Chief Executive Officer (CEO) to help run the day to day affairs of the Company.

There is a clear division of roles and responsibilities between the Board and Management. The Board is responsible for seeking and identifying the expectations of shareholders, as well as other regulatory and ethical expectations and obligations. In addition, it is also responsible for identifying areas of business opportunities and significant business risks and ensuring arrangements are in place to adequately take advantage of the opportunities and manage those risks.

The responsibility for the operation and administration of the consolidated entity is delegated to the CEO and the Executive Management Team. The Board ensures that this team works within authority limits and delegations and are appropriately qualified and experienced to discharge their responsibilities.

The Board's role and responsibilities are set out in the Board Charter along with delegations to senior management and certain Committees. The Board Charter is available at: www.devinegroup.com.au/asx-information/policies-compliance.aspx.

Key accountabilities and matters reserved for the Board include:

- approval and adoption of budgets by management and the monitoring of progress against those budgets. This includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes, the establishment of financial delegations by the Board to management and staff and the review and ratification of systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- to select and appoint (and if appropriate, remove from office) the CEO and determine his/her conditions of service; and
- the Company's formal "Performance Management Plan" which assesses the performance of the Executive Management Team and Senior Executives. The performance of the Executive Management Team was reviewed during the 2018 Financial Year.

The Board establishes and disbands committees as required in order to support the Board in carrying out its responsibilities. Director appointments to the Board Committees are by formal resolution of the Board. Attendance at full Board and Board Committee meetings is tabulated in the *Directors' report section* of the Company's 2018 Annual Report.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT (CONTINUED)

Appointment of Directors and Senior Management

The Board is charged in terms of its charter with:

- reviewing Board composition;
- recommending the appointment or removal of Directors; and
- assisting in identifying, interviewing and recruiting candidates for appointment as Directors.

The Board ensures that appropriate background checks are performed for all new Director and Senior Executive appointments.

The Company has formal appointment letters with each Non-Executive Director and formal employment agreements with the CEO and each Senior Executive, setting out all the relevant terms of employment and appointment. Details of the remuneration of Directors and Key Management Personnel (KMP) are disclosed in the *Remuneration report section* of the Company's 2018 Annual Report.

The Company provides shareholders with all material information in its possession relevant to deciding whether or not to elect or re-elect a Director, including a statement as to whether the Board supports the election or re-election. The Company also advises shareholders as to whether the candidate is considered to be an independent Director.

New Directors are briefed on the Company's operations and all information relevant to the performance of their role. Directors have access to the Company Secretary and CEO at all times.

Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including advising on governance matters, monitoring that Board policies and procedures are followed, coordinating all Board business including meetings, agendas, Board papers and minutes. The Company Secretary is responsible for lodgements with relevant regulators, management of dividend payments and management of the relationship between shareholders and the share registry.

The decision to appoint or remove a Company Secretary is approved by the Board.

Diversity

The Board believes that a diverse and inclusive workforce at all levels of the organisation makes good business sense and the Board is committed to fostering a corporate culture that embraces diversity. Devine values diversity and aims to create a vibrant and inclusive workforce which is reflective of the communities in which it operates. The Company ensures that recruitment and selection practices are appropriately structured so that a diverse range of candidates are considered and there are no biases that might discriminate against candidates.

In building a more diverse and inclusive workforce, it is recognised that this enables a greater diversity of thought, more informed decision making and ultimately better business outcomes.

The Board has adopted a diversity policy which includes requirements for the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Company's progress in achieving them. The Board has reviewed against these measurable objectives, which is referred to in the Diversity Report.

The Company's Diversity Policy and 2018 Diversity Report is available in the 'Investor Relations' section of the Company's website at: www.devinegroup.com.au/asx-information/policies-compliance.aspx.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT (CONTINUED)

Board and Committee Performance Evaluation

It is the responsibility of the Board to assess whether or not it continues to operate within established guidelines and with the appropriate skill mix. In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the Chairman reviews the performance of all Directors annually and may ask Directors whose performance is considered unsatisfactory to retire.

The review process includes interviews with Directors and Senior Executives and it may also involve interviews with key stakeholders.

The Board's performance is reviewed annually and a Board performance evaluation was conducted during the 2018 Financial Year. The review indicated that the Board and its Committees are functioning effectively.

Senior Executive Performance Evaluation

The Board is responsible for determining and reviewing the compensation arrangements for KMP and Senior Executives. It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality executive team by remunerating Senior Executives fairly and appropriately and with reference to relevant employment and market conditions.

The expected outcomes of the remuneration structure are:

- to provide satisfactory returns to shareholders;
- the retention and motivation of Senior Executives;
- to attract quality management to the Company; and
- to provide performance incentives which are aligned with the interests of shareholders.

The Board is also responsible for reviewing the performance of the KMP. The roles and responsibilities of the CEO and KMP are established through key performance objectives. They are assessed against those objectives on an annual basis, or more frequently if that is considered necessary.

Full details of the Company's remuneration philosophy and structure, and payments to Directors and KMP are set out in the Company's *Remuneration Report section* of the Company's 2018 Annual Report.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Board Composition and Independence

Section 201A of the *Corporations Act 2001* (Cth) stipulates that a public company must have at least three Directors. In compliance with this rule and the recommendations and guidelines as set out in Principle 2:

- the Board comprises three Directors, all of whom are not independent. Under the Company's Constitution, the Chairman has a casting vote in certain circumstances;
- the Chairman is a Non-Executive Director;
- the Board is comprised of Directors with an appropriate range of qualifications and expertise; and
- the Board meets regularly and follows meeting guidelines set down to ensure all Directors are made aware of, and have available all necessary information, to participate in an informed discussion on all agenda items.

The Directors of Devine are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.

In the context of director independence, "materiality" is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to act in an independent manner.

At the date of this Statement two of the Directors are representatives of the Company's major shareholder, CIMIC Group Limited (CIMIC), and the other Director is the CEO of the Company. Although the composition does not comply with Recommendation 2.4, we consider CIMIC's representation on the Board to be fair and reasonable given its majority shareholding in the Company and the current state of affairs of the Company. We also consider that the current Board structure will allow it to act in the best interests of the Company and all shareholders

The table below identifies the status of each Director in office as at the date of this Statement:

Name	Company Title	Term
D P Robinson*	Non-Executive Director (Chairman)	3 Years, 8 months
G Sassine*	Non-Executive Director	3 Years, 2 months
J M Campbell	Executive Director	9 months

* These Directors are nominated representatives of a major shareholder and are therefore deemed to be not independent.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE (CONTINUED)

Full details of the Directors who held office during the 2018 Financial Year are detailed in the *Directors' report section* of our 2018 Annual Report, together with details of each current Director's skills, experience and expertise and whether the Director is considered to be independent. Board membership changes are also set out in the *Directors' report section* of the Company's 2018 Annual Report.

The Company currently does not have a board skills matrix, which is a departure from Recommendation 2.2. The Board considered that, given its size, it was able to identify and address any gaps in skills without such a matrix.

In August 2015, the previously established Remuneration and Nomination Committee was disbanded with its role transferred to the Board. This is a departure from Recommendations 2.1 and 8.1. The rationale behind the decision is that due to the size of the Company and its Board, it was more efficient for the duties of the committee to be performed by the Board.

The Chairman

Our current Chairman, Mr David Robinson, was appointed on 19 January 2016. Although we do not comply with Recommendation 2.5, the Company considers that, at this time and reflective of the majority shareholding, the Board will continue to function more effectively with a non-independent Chairman. Details regarding the current Chairman including his experience and qualifications are set out in the *Directors' report section* of the Company's 2018 Annual Report.

It is the Chairman's responsibility to provide leadership to the Board and ensure that the Board works effectively and discharges its responsibilities. The Chairman is responsible for ensuring that each Director participates fully in the Board's activities and works with the Company Secretary to set and guide the Board's agenda and ensure that Board meetings are held regularly throughout the year.

Director Induction

New Directors are inducted individually on the Company's financial, strategic, operational and risk management positions, the culture and values of the Company and meeting arrangements. Directors have access to Company records and information through the Company Secretary and KMP. They receive regular detailed reports on the financial and operational aspects of the Company's business and may request elaboration or explanation of those reports at any time.

To assist the Directors in exercising their responsibilities, there are procedures in place to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

Company Values and Code of Conduct

The Company is committed to promoting good corporate conduct grounded by strong ethics and responsibility. It has in place a number of policies to assist staff when performing their duties by providing guidance on matters that relate to ethical and responsible decision making. The following are amongst a number of documents that are published on the Company's Policy and Procedures intranet site:

- Ethical Code of Conduct*;
- Management Principles and Practices;
- Confidential Information;
- Conflicts of Interest;
- Diversity Policy*;
- Securities Trading Policy*;
- Procurement Principles and Practices.

* These documents are also published on the Company's website, www.devinegroup.com.au.

These policies are communicated to all new staff by way of an "Employee Handbook" that extracts key aspects of the policies for review and formal acknowledgement by new staff as part of their induction into the Company.

The current Employee Handbook identifies a number of areas where staff and management need to be aware of the legal and other obligations of all stakeholders. Significant areas that affect the business include health and safety, environmental considerations surrounding major developments and construction activities, and the interests of shareholders, finance providers, customers and fellow employees. In addition, the Company has put in place five key principles – integrity, commitment, excellence, care and innovation, which are collectively known as the "Devine Way". These key principles set out the way that employees are expected to conduct themselves in relation to the Company's business and the workplace environment.

Conflict of Interest

Directors are required to keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. All Directors are required to disclose to the Board details of transactions which may create a conflict of interest for them in the decisions placed before the Board in accordance with the *Corporations Act 2001* (Cth).

Directors do not participate in discussions, and abstain from voting on any decisions, in which they have or may be perceived to have an interest.

Securities Trading Policy

Directors and employees are allowed to acquire shares in the Company if they comply with the provisions of the Company's Securities Trading Policy.

In accordance with the ASX Listing Rules, the Company's Securities Trading Policy provides comprehensive guidelines for trading in the Company's shares by Directors, employees and their connected persons (collectively defined as "relevant persons"). The Board approved policy only allows trading in the Company's shares by relevant persons in the six week period commencing on the next trading day after the Company's Annual General Meeting (AGM) or an announcement by the Company to the ASX of either the full year or half year result. Additionally the Securities Trading Policy allows for the trading window to be opened for any other period that the Company specifies from time to time.

The Board may waive this trading restriction where a relevant person needs to deal in the Company's securities due to exceptional circumstances. Relevant persons must not deal in the Company's securities in connection with a margin lending arrangement. Relevant persons are reminded that at all times they must be satisfied that their actions comply with rules relating to insider trading.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Audit Committee

An Audit Committee was established when the Company listed on the ASX in 1993 and has been in continuous operation since that time. It operates under a charter approved by the Board and meets at least quarterly. Details of the Committee's meetings and attendance of the members at those meetings are set out in the *Directors' report section* of the Company's 2018 Annual Report. The current members of the Audit Committee are:

- D P Robinson (Chairman); and
- G Sassine.

Mr D Robinson, a non-independent Non-Executive Director and Chair of the Board is currently the Chairman of the Audit Committee. Although this is a departure from Recommendation 4.1, the Company considers that given Mr Robinson's extensive financial experience, it is in the best interests of the Company that he is the Chairman of the Committee.

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with the effectiveness and efficiency of significant business processes, as well as the safeguarding of assets, maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations.

The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for Devine to the Audit Committee.

The Audit Committee is responsible for the nomination of the external auditor and for reviewing the adequacy, scope and quality of the annual statutory audit and the half-year statutory review. The Committee has considered the issue of independence of the external auditor and is satisfied that the appointment and conduct of the external auditor and the practices and procedures adopted are appropriate with respect to auditor independence.

The Company's external auditors, CEO and the Chief Financial Officer (CFO) attend each meeting of the Committee. In accordance with the Committee's charter, the external auditors are provided with an opportunity to discuss matters with the Committee in the absence of Management at each meeting. The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

The Company's external auditor is required to attend the AGM and make themselves available to answer questions from shareholders relevant to the audit.

CEO and CFO Declarations

The CEO and the CFO make the following declarations to the Board prior to the Company's financial statements being approved:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and the Devine Group and are in accordance with relevant accounting standards; and
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control processes are operating efficiently and effectively in all material respects.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Continuous Disclosure and Shareholder Communication

The Company has a Continuous Disclosure Policy designed to ensure compliance with ASX Listing Rule 3.1. This policy was last reviewed and revised in April 2016. This policy ensures that shareholders have equal and timely access to material information concerning the Company.

Any price sensitive information for public announcement is reviewed by the CEO, CFO and KMP before being approved by the Board for release. Announcements are available on the Company's website.

The Continuous Disclosure Policy is available in the 'Investor Relations' section of the Company's website at: www.devinegroup.com.au/asx-information/policies-compliance.aspx.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Shareholder Communication

The Board aims to ensure that shareholders to whom they are accountable are informed of all information necessary to assess the performance of the Company. Information is communicated to shareholders through the following avenues:

- the annual report, which is made available to all shareholders;
- the half yearly report;
- the AGM and other shareholder meetings so called to obtain approval for Board action as appropriate; and
- media releases and continuous disclosure announcements made through the ASX and reporting to shareholders from time to time on the performance of the Company.

Copies of this information are available on the 'Investor Relations' section of the Company's website under the headings of "ASX Announcements and Share Price History" and "Financial Reports".

Shareholders have the option of receiving communications from or sending communications to the Company and its share registry electronically. Each year the share registry mails out to shareholders, who have not already elected for electronic communications, an option to elect to receive communications electronically.

Requests to the Company can be made via the Company's website at www.devine.com.au/enquire-now.aspx

Investor Relations

Whilst the Company is in the process of stabilisation, investor briefings have been suspended. This does not comply with Recommendation 6.2.

Meetings of Shareholders

All Shareholders are encouraged to attend the Company's AGM in person or to participate by sending a proxy as their representative. At the AGM, the Chairman encourages questions and comments from shareholders and seeks to ensure the meeting is managed to give the maximum number of shareholders the opportunity to participate. The external auditor attends the Company's AGM and is available to respond to questions about the conduct of the audit and the preparation and content of the Independent Audit Report.

The Company's website provides contact details for the share registry and Devine.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The Board has ultimate responsibility for risk management, compliance and control functions across the Devine Group.

This is a departure from Recommendation 7.1, in that the Company does not have a formal Risk Committee, but the Board considers the following processes sufficient to ensure that risk is being managed across Devine's entities.

Devine continues to update its risk management policies and procedures and is constantly monitoring its exposure to risk. A policy is in place setting out the formal risk reporting processes for Strategic, Health and Safety, and Trading and Operational risk areas. Risk assessments are also carried out on any new projects that are being considered and are included in any proposals that are submitted to the Board. The development of risk management processes within both existing and new business activities will continue to be refined and updated as necessary.

As part of this constant monitoring and review process, the Company has an established program to review and update the potential areas of risk in relation to its Communities, Development, Construction and Corporate segments and this facilitates the preparation and review of its overall risk matrix chart for Devine.

A risk and compliance update report is prepared by each business unit/division on a quarterly basis and the results of this are summarised and reported to the Board. A more detailed legal and litigation report is prepared by each business unit/division on a quarterly basis and reported to the Board. The risk review applies a rating to the various risks that have been identified and provides commentary on the actions that are being taken to mitigate those risks. It also covers each project that the Company is undertaking. The results of these reports are summarised and communicated to the Audit Committee for review at their quarterly meetings.

During the year the Company reviewed the risk management framework. Risk reporting was determined to remain sound.

Risk management reporting is a standing agenda item at Board and Audit Committee meetings.

Based on the current size and complexity of the business, the Company has decided not to put in place a formal internal audit function. The above sets out the processes it employs to evaluate and improve the effectiveness of its risk management and internal control processes.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Refer to the Senior Executive Performance Evaluation section of this Statement and the *Remuneration report section* contained in the Company's 2018 Annual Report for the full details of the Company's remuneration philosophy and structure and payments to Directors and KMP.

Director's fees paid to Non-Executive Directors are determined by the Board, and are within the aggregate limits approved by shareholders.



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