



**WorleyParsons**

resources & energy

EcoNomics

# **Board Charter**

## **WorleyParsons Limited**

002-000 CMM-068 (007942) CPM-0007

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Level 12, 141 Walker Street  
Sydney NSW 2060 Australia  
Tel: +61 2 8923 6866  
Fax: +61 2 8923 6877  
Web: <http://www.worleyparsons.com>  
WorleyParsons Limited  
ABN 17 096 090 158

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**BOARD CHARTER**  
**WORLEYPARSONS LIMITED**

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## **SYNOPSIS**

This Charter has been adopted by the Board to:

- outline the manner in which its constitutional powers and responsibilities will be exercised and discharged; and
- outline the core principles of corporate governance to which WorleyParsons ascribes.

The Board places great importance on the governance of WorleyParsons and this Charter reflects the Board's position. The Board intends that WorleyParsons should adopt and comply with best practice principles and all applicable laws, including the requirements of the Corporations Act and ASX Listing Rules, to address corporate governance issues. The Board is of the opinion that the development and implementation of best practice corporate governance is a performance enhancement opportunity, rather than just a compliance issue.



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## **BOARD CHARTER WORLEYPARSONS LIMITED**

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### **1. THE BOARD OF DIRECTORS**

The Board of WorleyParsons Limited is ultimately responsible for the oversight and review of management, administration and the overall governance of WorleyParsons and its strategic direction.

This includes:

- the protection of shareholders' interests by seeking to ensure that WorleyParsons' strategic direction provides value for its shareholders;
- establishing goals for management and monitoring the achievement of those goals;
- engaging and replacing the Chief Executive Officer;
- authorising policies and overseeing the strategic implementation of these policies; and
- seeking to ensure that WorleyParsons' internal control and reporting procedures are adequate, effective and ethical and that WorleyParsons' strategic direction provides value for its shareholders.

This is an active, not a passive responsibility and the Board's role is to seek to ensure that in good times as well as in difficult times, management is capably executing its responsibilities. To this end, the Board's policy is that it must regularly monitor the effectiveness of management policies and decisions, including the execution of its strategies.

The Board oversees the implementation and operation of a risk management system. In addition to fulfilling its obligations to generate rewards for shareholders who invest their capital in WorleyParsons, the Board recognises that WorleyParsons has responsibilities to its customers, employees and suppliers and to the welfare of the communities in which WorleyParsons operates.

In carrying out its responsibilities and powers as set out in this Charter, the Board will at all times recognise its ultimate responsibility to:

- maintain good corporate governance standards;
- act honestly, fairly and diligently;
- seek to prevent bribery by persons associated with WorleyParsons and to foster a culture in which bribery is never acceptable;
- act in accordance with laws and regulations;
- avoid or manage conflicts of interest;
- promote WorleyParsons as a good corporate citizen; and
- achieve and maintain community respect.

Non-executive directors should use all reasonable endeavours to satisfy themselves that WorleyParsons' transactions are conducted in accordance with the law and the highest standards of propriety.



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### **2. BOARD COMPOSITION**

It is intended that the composition of the Board of WorleyParsons be determined using the following principles:

- the Board shall comprise at least 3 directors;
- the Board should comprise a majority of independent and/or non-executive directors;
- recognising that the composition of the Board is subject to shareholder approval, the Board considers that it should comprise directors with an appropriate range and mix of skills, experience, expertise and diversity that will enable the Board to effectively function. The Board will refer to the criteria for appointment of new directors reviewed and recommended by the Nominations Committee;
- the positions of Chairman and Chief Executive Officer are required to be held by separate persons;
- the position of Chairman of the Board is always to be filled by a non-executive director. This does not prevent another director chairing all or a part of a meeting in the absence of the Chairman; and
- the Chairman is the official spokesperson for the Board, unless the Board determines otherwise.

It is the Board's intention that there are a sufficient number of non-executive directors to:

- bring an "independent" view to the Board's deliberations;
- help the Board (and the Chairman) to provide WorleyParsons with effective leadership and to seek to ensure that WorleyParsons is competently run in its own best interests and consequently in the best interests of all stakeholders; and
- foster the continuing effectiveness of the Chief Executive Officer and management.

The Nominations Committee reviews and recommends the criteria for appointment of new directors. In addition, the Board periodically conducts a formal review of its own performance as described in section 7. These mechanisms act as a regular check on the composition of the Board and the appropriateness of the mix of skills, experience, expertise and diversity of the Board members for WorleyParsons.

### **3. BOARD INDEPENDENCE**

The majority of directors will be independent. The Board recognises that various principles and factors are relevant in determining independence, but considers that true independence is a matter of judgement in the particular circumstances and will be determined by the Board with due recognition of the guidelines set out below.

A non-executive director will be considered to be independent where the director:



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- is not a substantial shareholder of WorleyParsons or an officer of or otherwise associated directly or indirectly with a substantial shareholder of WorleyParsons;
- has not within the last 3 years been employed in an executive capacity by WorleyParsons or another Group company or been a director after ceasing to hold such employment;
- has not within the last 3 years been a principal or employee of a material professional adviser or a material consultant to WorleyParsons or another Group company;
- is not a material supplier or customer of WorleyParsons or another Group company or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with WorleyParsons or another Group company other than as a director of WorleyParsons; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of WorleyParsons.

A director who is also an executive of WorleyParsons will not be considered to be independent.

In determining independence, the Board will consider "materiality" on an on-going basis, having regard to the need to continually re-assess corporate governance practices in the light of the changing circumstances facing the company. As such, the Board chooses not to take a prescriptive approach to independence, but to consider the true independence of each director, on a case by case basis, by applying the following guiding principles;

- relevant accounting standards generally indicate that an interest of more than 10% of the relevant base will prima facie be material and an interest of less than 5% of the relevant base will prima facie not be material. Interests of between 5% and 10% of the relevant base may be material, depending on the circumstances. In the context of each situation the Board determines the appropriate base to apply (for example, revenue, equity or expenses); and
- overriding the quantitative assessment is the qualitative assessment. Specifically, the Board considers whether there are any factors or considerations which may mean that the director's interest, business or relationship could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of WorleyParsons.

The Board reviews the independence of each director on an on-going basis, in light of interests disclosed to the Board.

## 4. ROLE OF THE BOARD

The Board has ultimate responsibility to set strategic direction and policy regarding the business and affairs of WorleyParsons and its controlled entities for the benefit of the shareholders and other stakeholders of WorleyParsons. The Board is accountable to shareholders for the performance of the Group.



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The Board does not manage the day-to-day operations of WorleyParsons. This is delegated to management through the Chief Executive Officer.

### **4.1 Key responsibilities**

In particular, the following are regarded as the key responsibilities and functions of the Board and may be considered with the benefit of recommendations from Board committees:

#### **4.1.1 Senior appointments and succession planning**

- the appointment, the terms of the appointment, delegation of authority to, review of performance of and removal of the Chief Executive Officer;
- succession planning for the Chief Executive Officer and his/her direct reports;
- the appointment, review of performance of and, where appropriate, the removal of the Chief Financial Officer;
- the appointment, the terms of the appointment and review of performance and, where appropriate, the removal, of other executive directors;
- the appointment, review of performance and, where appropriate, the removal of, the Company Secretary; and
- ratification of the terms of appointment of senior management – i.e. the Chief Executive Officer's direct reports.

#### **4.1.2 Board and senior management**

- ratification of the organisation chart for senior management;
- ratification of evaluation and reward of senior management (including ratification of remuneration and incentive policies);
- seeking to ensure effective executive and Board succession planning;
- assessment of the organisation's and Board's performance;
- requiring that there is continuing education and information provided to directors regarding:
  - the company's various businesses; and
  - the role of the Board and its functions and obligations; and
- other corporate governance issues.

#### **4.1.3 Business Strategy**

- approval of budgets and the strategic plan;
- evaluating the performance of the company against strategies and business plans in order to:
  - monitor the performance of functions delegated to management; and



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- assess the suitability of the company's overall strategies, business plans and resource allocation;
- approval of the capital and operating expenditure budget and any alterations to it;
- approval of significant mergers, acquisitions and divestitures of members of the Group; and
- approval of expenditure and/or commitments that are in excess of budget or the CEO's delegation.

### **4.1.4 Relations with members**

- oversight of relations with members by monitoring communications to members and the ASX, including monitoring:
  - arrangements for the annual general meeting and other members' meetings (if any);
  - matters relating to reports as required by law; and
  - disclosures made under the ASX continuous disclosure requirements.

### **4.1.5 Financial matters**

- approval of annual and interim accounts and directors' reports;
- approval of accounting policies;
- approval of the internal and external audit plan;
- approval of major borrowing or giving of security over assets; and
- acceptance of audit reports including management letters.

### **4.1.6 Miscellaneous**

- approval of donations and sponsorships above approved limits.

## **5. BOARD RENEWAL**

All directors (except the Chief Executive Officer) are required to submit themselves for re-election at regular intervals and at least every three years.

Board renewal is important and is promoted to enhance the overall performance of the Board and the Company. Reappointment is not automatic. When recommending a director for re-election, the Board will balance its composition, skills and competences with the tenure, performance, skills and competence of the incumbent director. Tenure is a consideration after ten years of office.

The Nomination Committee will assist the Board by reviewing the Board's succession plans and making recommendations to the Board for all nominations.



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### **6. NEW APPOINTMENTS**

The Nominations Committee sets and reviews the criteria for appointment of new directors having regard to the composition of the Board. Each non-executive director is provided with a letter on their appointment to the Board which sets out the terms and other administrative matters relevant to their appointment.

### **7. REVIEW OF BOARD PERFORMANCE**

Every 12 months, the Board conducts a formal review of its performance, policies and practices.

The review includes:

- examination of the effectiveness and composition of the Board, including the required mix of skills, experience, expertise and diversity which the non-executive directors should bring to the Board for it to function competently and efficiently;
- review of WorleyParsons' strategic direction and objectives;
- assessment of whether corporate governance practices are appropriate; and
- assessment of whether the expectations of differing stakeholders have been met.

As part of this process, the Chairman:

- meets at least annually with the senior executive team to discuss with them their views of the Board's performance and level of involvement;
- meets at least annually with the other non-executive directors without executive directors or senior management present; and
- provides feedback to each individual director in relation to his or her contributions and performance, as appropriate.

Informal reviews of the Board's performance are conducted as necessary. In addition, any director may suggest that the Board conduct a formal review earlier than the 12-month timeframe which generally applies.

### **8. BOARD REVIEW OF CHIEF EXECUTIVE OFFICER AND MANAGEMENT**

The Board is responsible for establishing performance criteria applicable to the Chief Executive Officer. The Board formally conducts a performance review of the Chief Executive Officer at least annually, and is advised on these matters by the Nominations Committee.

### **9. CONFLICTS AND DECLARATIONS OF INTEREST**

The Corporations Act imposes obligations on directors in relation to disclosure of interests. Specifically, the Act provides that:



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- (a) a director who has a material personal interest in any matter that relates to the affairs of the company is required to give the other directors notice of the interest, except in certain circumstances specified in the Act. These include where the director is a member of the company and the interest is an interest in common with other members of the company;
- (b) directors may choose to give standing notice about an interest to each of the other directors; and
- (c) a director who has a material personal interest in a matter that is being considered at a directors' meeting must not except with approval of the Board:
  - (1) be present while the matter is being considered at the meeting; or
  - (2) vote on the matter.

As a matter of practice, the Board has developed the following protocol:

- (a) directors must disclose all interests and other directorships;
- (b) directors may choose to submit standing notices of interest to all Board members, or must disclose their interest in a matter being considered by the Board at that time;
- (c) directors must warn of any potential conflict with duty to another company and ensure any change in circumstances is advised;
- (d) the Board will continually consider the application of the relevant provisions of the Corporations Act and, if the Chairman determines that a director's interest in a matter is sufficiently material, or would result in a conflict of interest arising, the director:
  - (1) will not receive Board Papers on the subject of interest, but will be advised that certain Board Papers have been excluded;
  - (2) cannot be present at the meeting when the matter is considered unless the other directors resolve that the director in question can stay; and
  - (3) cannot vote on the matter unless the other directors resolve that the director in question can vote; and
- (e) directors must obtain the company's consent before disclosing company information to another company or third party.

In accordance with the Listing Rules, each director is required to enter into an agreement with the company to provide details of his or her "relevant interest" in the company's securities on appointment, within 5 business days (or such lesser period as set out in the relevant agreement) of a change in the "relevant interest", and following retirement. Any change in a director's interest must be notified to the Australian Securities Exchange within 5 business days by lodgement of Appendix 3Y.

Each director has a duty to avoid conflicts of interest, and, as noted above, must notify the Board of any potential conflicts he or she may have, including any which may arise as a result of his or her duty to another company.



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Each director has a duty to maintain the confidentiality of information he or she learns by virtue of his or her position as director. Disclosure of such information by the director should only be made after consultation with the Chairman or the Board.

The Chief Executive Officer does not participate in deliberations of the Board or a Board Committee when matters could affect his position.

### **10. DELEGATION TO MANAGEMENT**

The Board has retained ultimate responsibility for the strategic direction and control of the Group.

The Board delegates management of WorleyParsons' resources to the senior management team under the leadership of the Chief Executive Officer, to deliver the strategic direction and goals determined by the Board. A key function of the Board is to monitor the performance of senior management in this function.

The Chief Executive Officer conducts a formal review each year assessing the performance of senior management and reports back to the Board.

### **11. DELEGATION TO COMMITTEES**

The Board from time-to-time establishes committees to streamline the discharge of its responsibilities. For each standing committee, the Board adopts a formal charter setting out the matters relevant to the composition, role, function, responsibilities and administration of such committees.

The Board has, at the date of this Charter, established the:

- (a) Audit and Risk Committee;
- (b) Remuneration Committee; and
- (c) Nominations Committee.

Committee Charters are reviewed annually. It is intended that each standing committee has a non-executive director as Chairman of the committee, and that only non-executive directors can be members of the committees.

As a matter of principle, committee members have access to the appropriate external and professional advice needed to assist the committee in fulfilling its role.

The Board also delegates specific functions to ad hoc committees on an "as needs" basis. The terms of reference and powers delegated to any such committee will be agreed by the Board at the time the committee is established as set out in Board resolutions.



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## 12. DIRECTORS' AND EXECUTIVE MANAGEMENT'S SHAREHOLDINGS AND REMUNERATION

All directors' shareholdings are required to be disclosed publicly. The disclosed interests in shares held by directors and their associated entities are the same as their economic interest.

Directors and senior management are prohibited from hedging their shareholdings.

Executive directors and senior management participating in the WorleyParsons' Performance Rights Plan are prohibited from hedging their performance rights.

Executives and directors may not trade (including hedging) their shares prior to vesting of shares or performance rights.

Executives and directors are subject to WorleyParsons' Securities Dealing Policy (SDP) which provides that WorleyParsons' shares may not be bought or sold outside the prescribed trading windows. Directors and executive management are subject to the following additional requirements:

- directors and executive management must inform (relevantly to the SDP) the Chairman or Chief Executive Officer of their intention to trade in shares prior to doing so; and
- any trading of a short-term nature in WorleyParsons' shares is prohibited.

Within 3 years of their appointment to the Board each non-executive director shall be required to own WorleyParsons' shares equivalent in value to their annual director's fees. This shareholding will be valued annually on 30 June by comparing the value with the base fees paid to the director for the financial year just completed. The WorleyParsons' shares will be valued at the greater of cost price and the WorleyParsons' five day VWAP (volume weighted average price) for the first five trading days after the end of the financial year.

The Remuneration Committee is responsible for reviewing and recommending the remuneration strategy for the Chief Executive Officer's direct reports. The Nominations Committee is responsible for reviewing and assessing the performance and remuneration of the directors and the Chief Executive Officer.

Non-executive directors do not participate in WorleyParsons' incentive schemes. Non-executive directors are not entitled to any retirement or termination benefits from WorleyParsons.

## 13. BOARD OPERATIONAL STANDARDS & POLICIES

WorleyParsons currently has a number of Board operational standards and policies including the following:

- ensuring all directors have access to the Company Secretary;
- ability for directors to obtain independent advice with the prior approval of the Chairman;
- maintenance of an appropriate level of Directors & Officers insurance cover for WorleyParsons' directors and other officers;



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- informal induction and training programs for new directors, refresher programs for existing directors and educational sessions for directors on contemporary issues of relevance to WorleyParsons and its operations (including site visits);
- Continuous Disclosure Policy detailing the procedures for assessing whether information must be disclosure to the ASX under the Listing Rules and who is authorised to make announcements to the ASX;
- Securities Dealing Policy which outlines the prohibition against insider trading and specifies the “windows” during which directors, executives and employees can deal in WorleyParsons’ securities;
- policy for notification of holdings of company securities by directors which details the requirements and obligations of directors to notify the ASX of their holdings of WorleyParsons’ securities (as required by the ASX Listing Rules); and
- Code of Conduct which outlines the principles of ethics applicable to all employees to which WorleyParsons ascribes (as discussed below).

## 14. ETHICAL STANDARDS & CODE OF CONDUCT

As a matter of Board policy, directors and management are expected to conduct themselves with the highest ethical standards. All directors, executives and staff are expected to behave ethically and professionally at all times and thereby protect and promote the reputation and performance of WorleyParsons.

WorleyParsons expects all directors, executives and staff to:

- act honestly and fairly in all their business dealings;
- prevent bribery by persons associated with WorleyParsons, to foster a culture in which bribery is never acceptable and commit to zero tolerance towards bribery;
- comply with the law and respect the local communities wherever WorleyParsons operates;
- be accurate, diligent and professional in all activities and in preparing all documents; and
- work together to promote a safe, ethical and professional workplace.

The Board is responsible for establishing compliance and evaluating the effectiveness of the company’s Code of Conduct.

## 15. SHAREHOLDER COMMUNICATIONS

WorleyParsons aims to ensure that shareholders are well-informed of all major developments affecting the state of affairs of the company. To achieve this, the company has implemented the following procedures:

- shareholders can gain access to information about the company, including media releases, key policies and the terms of reference of the company’s Board Committees, through the company’s



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website [www.worleyparsons.com](http://www.worleyparsons.com). The Annual Report and financial accounts are also available on the company's website following the end of the company's financial year. Information is also communicated to shareholders via periodic mail outs;

- all relevant announcements made to the market and any related information are posted on the company's website as soon they have been released to the Australian Securities Exchange; and
- WorleyParsons encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and discussion of the company's strategy and goals. The company will also invite the external auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

## 16. ADMINISTRATIVE MATTERS

The Board determines a schedule of meetings at the beginning of each year. It is WorleyParsons' intention that one or more of these meetings coincide with site visits, in order to continue the education and information provided to directors regarding WorleyParsons' various businesses.

Additional meetings are held as required to address specific issues.

The Company Secretary attends meetings of the Board as minute secretary. Senior management will be invited to attend meetings (or parts of meetings) from time to time where the Board considers their involvement of assistance to the consideration of items of business before the Board. In this regard, members of the senior management may, at the invitation of the Board, attend Board meetings on a regular basis even though they are not members of the Board.

All minutes of the Board are signed by the Chairman as a true and correct record and are then to be entered into the minute book and will be open for inspection by any director.

All attendees at Board meetings are, as officers and/or fiduciaries, required to keep all information presented to (whether written or oral) or discussed at Board meetings confidential.

The Board papers will be collated and circulated to directors by the Company Secretary and the Company Secretary will supervise the filing and storage of all board papers.

This Charter will be reviewed annually at the first scheduled Board meeting of each calendar year.