

# Corporate Governance

## INTRODUCTION

The Board of Directors of WorleyParsons Limited (Board) strives to ensure that WorleyParsons Limited (Company) and the entities it controls (Group) meet high standards of safety, performance and governance. This commitment requires review, modification and enhancement of the Group's governance systems. The Group recognizes that it has responsibilities to its shareholders, customers, employees and suppliers as well as to the communities in which it operates.

The Board has ultimate authority and oversight of the Group and regards corporate governance as a critical element in the drive to improve the Group's performance and achieve the Group's vision of being the preferred global provider of technical, project and operational support services. Accordingly, the Board has adopted appropriate charters, codes and policies and established a number of Committees to discharge its duties.

The Corporate Governance page in the Investor Relations section of the Group's website ([www.worleyparsons.com](http://www.worleyparsons.com)) contains most of the

charters, codes and policies which are referred to in this statement. These documents are reviewed to take account of changes in the law and governance practices.

The Group's governance systems meet the requirements of the *Corporations Act 2001*, the Listing Rules of the Australian Securities Exchange (ASX Listing Rules and ASX respectively) and each of the Corporate Governance Principles and Recommendations (2nd Edition) published in August 2007 by the ASX Corporate Governance Council (ASX Principles).

As required by the ASX Listing Rules, this statement outlines the Group's approach to corporate governance for the financial year ended 30 June 2011. It addresses each of the ASX Principles and also includes commentary with respect to the amendments to the ASX Principles published by the ASX Corporate Governance Council on 30 June 2010 which are applicable to the financial years commencing on or after 1 January 2011.

The following table indicates where specific ASX Principles are dealt with in this statement:

PRINCIPLES AND RECOMMENDATIONS	SECTION
<b>Principle 1: Lay solid foundations for management and oversight</b>	
1.1 Companies should establish and disclose the functions reserved to the board and those delegated to senior executives.	2.1
1.2 Companies should disclose the process for evaluating the performance of senior executives.	1.7
1.3 Companies should provide the information indicated in the <i>Guide to reporting on Principle 1</i> .	1.7, 2.1
<b>Principle 2: Structure the board to add value</b>	
2.1 A majority of the board should be independent directors.	1.1, 1.2
2.2 The chair should be an independent director.	1.1, 1.2
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	1.1, 1.2
2.4 The board should establish a nomination committee (according to the commentary set out in the ASX Principles it should consist of a minimum of three members, the majority being independent directors and have an independent chair).	1.3 and 2.3
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	1.7
2.6 Companies should provide the information indicated in the <i>Guide to reporting on Principle 2</i> .	1.2, 1.3, 1.4, 1.6, 1.7, 2.3
<b>Principle 3: Promote ethical and responsible decision making</b>	
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>• the practices necessary to maintain confidence in the company's integrity;</li> <li>• the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and</li> <li>• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	1.5, 2.4, 3.1
3.2 Companies should establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.	3.2
3.3 Companies should provide the information indicated in the <i>Guide to reporting on Principle 3</i> .	3.1, 3.2

PRINCIPLES AND RECOMMENDATIONS	SECTION
<b>Principle 4: Safeguard integrity in financial reporting</b>	
4.1 The board should establish an audit committee.	2.3
4.2 The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>consists of only non-executive directors;</li> <li>consists of a majority of independent directors;</li> <li>is chaired by an independent chair who is not chair of the board; and</li> <li>has at least three members.</li> </ul>	2.3
4.3 The audit committee should have a formal charter.	2.3
4.4 Companies should provide the information indicated in the <i>Guide to reporting on Principle 4</i> .	2.3
<b>Principle 5: Make timely and balanced disclosure</b>	
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	2.4, 3.5
5.2 Companies should provide the information indicated in the <i>Guide to reporting on Principle 5</i> .	3.5
<b>Principle 6: Respect the rights of shareholders</b>	
6.1 Companies should design and disclose a communications strategy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of the policy.	3.6
6.2 Companies should provide the information indicated in the <i>Guide to reporting on Principle 6</i> .	3.6
<b>Principle 7: Recognise and manage risk</b>	
7.1 Companies should establish policies for the oversight and management of material business risk and disclose a summary of those policies.	2.3, 3.3, 3.4
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	3.3
7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	3.3
7.4 Companies should provide the information indicated in the <i>Guide to reporting on Principle 7</i> .	3.3
<b>Principle 8: Remunerate fairly and responsibly</b>	
8.1 The board should establish a remuneration committee.	2.3
8.2 The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>consists of a majority of independent directors;</li> <li>is chaired by an independent chair; and</li> <li>has at least three members.</li> </ul>	2.3
8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	3.7
8.4 Companies should provide the information indicated in the <i>Guide to reporting on Principle 8</i> .	2.3, 3.2

The Group recognizes that responsible, sustainable corporate performance is essential to the long term success of its business and desirable to all of its stakeholders. The Group's Corporate Responsibility Statement can be found on page 27 of the Annual Report.

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## PART 1 – COMPOSITION AND GOVERNANCE POLICIES OF THE BOARD

**Relevant policies and charters** – Board Charter  
(see [www.worleyparsons.com](http://www.worleyparsons.com))

### 1.1 COMPOSITION PRINCIPLES

The Board's composition is determined in accordance with the following principles, the Company's Constitution and relevant governance requirements:

- the Board should comprise at least three members and maintain a majority of independent and/or non-executive directors;
- the positions of Chairman and Chief Executive Officer (CEO) must be held by separate persons;
- the Chairman must always be a non-executive director;
- the Board should comprise directors with an appropriate range and mix of skills, experience, expertise and diversity;
- the performance of the Board and its members should be reviewed annually and objectively;
- all directors (except the CEO) must submit themselves for re-election at regular intervals, and at least every three years; and
- all non-executive directors should serve no more than three terms, unless their tenure is extended by the Board.

### 1.2 MEMBERSHIP

The membership of the Board complies with the composition principles outlined above. The directors of the Company during the reporting period were:

NAME	POSITION
Ron McNeilly	Chairman
Larry Benke	Non-Executive Director
Grahame Campbell	Non-Executive Director (until 26 October 2010)
Erich Fraunschiel	Non-Executive Director
John M Green	Non-Executive Director
John Grill	Chief Executive Officer and Executive Director
Eric Gwee	Non-Executive Director
David Housego	Chief Financial Officer (until 23 February 2011)
Catherine Livingstone, AO	Non-Executive Director
JB McNeil	Non-Executive Director
William Hall	Alternate Director to Larry Benke

Details of the skills, experience (including the director's period of office) and expertise of each of the directors are contained in the profiles included on pages 29 to 30 in the Directors' Report.

During the reporting period:

- Mr Campbell retired as a director on 26 October 2010;
- Mr Housego retired as a director on 23 February 2011;
- Mr McNeilly took a temporary leave of absence from his role as the Company's Chairman from 4 August 2010 until 2 September 2010 due to a family illness. In his absence, Mr Green assumed the role of Acting Chairman; and

- all other directors served as directors for the entire reporting period.

### 1.3 APPOINTMENT, INDUCTION AND TRAINING

The Board's Nominations Committee sets and reviews the criteria for new director appointments having regard to the overall composition of the Board.

The Board seeks to ensure that its membership is such that each director:

- is a person of integrity who will observe the Group's Code of Conduct;
- has sufficient abilities and time available to perform his or her role effectively;
- brings an independent and questioning mind to his or her role which enable him or her to exercise sound judgment;
- enhances the breadth and depth of skills and knowledge of the Board as a whole; and
- enhances the experience and diversity of the Board as a whole.

While recognizing that each director will not necessarily have experience in each of the following areas, the Board seeks to ensure that its membership includes directors with experience in engineering, relevant customer sectors, general management and finance. In addition, the Board is seeking ways in which it can further its diversity.

Each non-executive director receives a letter formalizing their appointment and that letter outlines the key terms and conditions of their appointment. Executive directors each have a written position description and a service contract.

Director induction processes are incorporated into the Board program. Directors are encouraged, and are given the opportunity, to broaden their knowledge of the Group's business by visiting offices in different locations and to remain abreast of developments impacting the business.

### 1.4 DIRECTOR INDEPENDENCE

The Board recognizes that, while various principles and factors are relevant in determining independence, true independence is a matter of judgment having regard to the particular circumstances. Accordingly, when the Board exercises its judgment in determining independence, it has regard to relationships between a director and the Group or between a director and third parties that may compromise the director's independence.

The Nominations Committee monitors and undertakes an annual assessment of each non-executive director's independence and this assessment applies the ASX Principles, the *Corporations Act 2001* and current corporate governance practice and adopts the definition of independence set out in the ASX Principles.

At each Board meeting, the Board reviews each non-executive director's independence. In determining that independence, the Board has regard to the materiality and type of interest (e.g. as shareholder, advisor, supplier or customer). This maintains the integrity of the Board's ongoing assessment as to the independence of each non-executive director.

The Board recognizes that the accounting standards provide a useful guide to what is or is not material in a quantitative sense. The

accounting standards define materiality as an interest of more than 10% of the relevant base (whether revenue, equity or expenses). Any interests between 5% and 10% of the base are treated as potentially material, depending on the circumstances. However, the Board also applies a qualitative assessment to seek to ensure that a solely quantitative approach does not result in inappropriate decisions. The Board considers whether there are any circumstances which may affect the director's interest and could, or could reasonably be perceived to, materially interfere with the director's ability to act in the Company's best interests.

The Board has considered the positions and relationships of each of the seven non-executive directors and has formed the view that six of the seven non-executive directors in office at the conclusion of the reporting period are independent. The Board is of the opinion that therefore a majority of the Board is independent of the Group's management and is free of any interest that may affect their free and unfettered judgment.

Mr Fraunschiel, the Chairman of the Company's Audit and Risk Committee, is a director of Woodside Petroleum Limited, which is a customer of the Group. Mr Gwee is a director of Singapore Power, which is a customer of one of the Company's Singaporean subsidiaries, WorleyParsons (DRPL) Pte Limited. The Board considers both Mr Fraunschiel and Mr Gwee to be independent after applying the principles stated above. In the opinion of the Board, the judgment of Messrs Fraunschiel and Gwee has not been impaired or conflicted even though they are directors respectively of these other entities.

The Board also considers Mr Green to be independent even though he served on the advisory board to the Company's predecessor before the Company's initial public offering in 2002.

Mr Benke is not regarded as independent given that he was appointed a non-executive director on the day after resigning as an executive of the Group on 30 June 2010.

### **1.5 NOTIFICATION OF INTERESTS AND TREATMENT OF CONFLICTS**

Directors are required to notify the Chairman of any contracts, offices (including other directorships) held, interests in other companies or transactions which might involve a real or potential conflict and at each Board meeting directors declare any conflicts or changes to their independence. In the event of such a conflict, the Board acts appropriately and takes minutes of its actions. The Board Charter sets out the process that the Company applies if a conflict arises for one or more of its directors. In particular, a director who has a conflict with respect to a matter will not, without the Chairman's approval, receive relevant Board papers, be present during any discussion or vote on that matter.

### **1.6 INDEPENDENT ADVICE**

Each director is entitled to take independent professional advice at the Company's expense, with the prior approval of the Chairman.

### **1.7 PERFORMANCE REVIEW**

The Group encourages excellence from all its personnel and the directors recognize that the performance of all personnel, including directors, is enhanced by a structured performance review process.

### **Review of Board performance**

The Nominations Committee oversees the conduct of a review of Board performance, policies and practice every 12 months.

The review includes:

- comparing Board performance against agreed relevant criteria; and
- examining the Board's effectiveness and composition.

The relevant criteria against which the performance of the Board is assessed includes the following:

- monitoring of business performance;
- regulatory compliance;
- strategy formulation; and
- succession planning.

In addition, informal reviews are conducted as necessary and any director may suggest that the Board conduct an additional formal review earlier than the regular annual review.

From time to time, the Board engages external consultants to undertake an independent review of the Board and individual directors' performance and effectiveness.

The internal and external review processes complement each other and seek to ensure that the Board, its Committees and the individual directors are subject to appropriate review mechanisms.

A Board evaluation took place during the financial year. This evaluation was conducted in the form of a detailed questionnaire completed by each director, followed by consideration by the Board of the aggregated responses. Separate discussions on performance were held by the full Board and by the non-executive directors only.

Each standing Committee of the Board was also evaluated during the financial year utilizing a similar process. Committee members completed a detailed questionnaire and the aggregated responses were considered and discussed by the Board.

In addition, the Nominations Committee evaluates the performance of individual directors as those directors become eligible for re-election.

### **Review of the performance of senior management**

The Board establishes performance criteria for the CEO and conducts a performance review of the CEO at least annually. The Board is advised on these matters by the Nominations Committee. In turn, the CEO conducts annual performance reviews of senior executives, which inform senior executives' remuneration packages, and reports on their performance to the Remuneration Committee. The performance and remuneration of the CEO and the senior executives were reviewed in this manner during the financial year. Each senior executive has a written position description and a service contract.

The relevant criteria against which the performance of the CEO and the senior executives is assessed include the following:

- financial criteria relevant to the individual's responsibilities and influence; and
- personal performance indicators referable to achieving objectives of their role.

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## PART 2 - OPERATION AND RESPONSIBILITIES OF THE BOARD AND BOARD COMMITTEES

- Relevant policies and charters** (see [www.worleyparsons.com](http://www.worleyparsons.com))
- Board Charter
  - Audit and Risk Committee Charter
  - Nominations Committee Charter
  - Remuneration Committee Charter
  - Continuous Disclosure Policy

### 2.1 BOARD RESPONSIBILITIES AND DELEGATION TO SENIOR MANAGEMENT

The Board's responsibilities and those matters delegated to senior executives are set out in the Board Charter.

The Board is responsible for approving the Group's strategic direction and objectives. It monitors all aspects of the Group's performance. The Board works with senior executives to formulate strategic direction, to set goals, budgets, plans and policies and to identify and mitigate risk.

Directors' deliberations in Board meetings and the application of the Group's policies facilitate the Board's critical and objective review of management's performance and enable the Board to align senior executives' activities with shareholder expectations.

The Board has given the CEO a written delegation to manage the Group's operations and it states that he must exercise his delegation in accordance with the Group's approved strategic direction, its Code of Conduct and other Group policies. The CEO has given a written delegation to his direct reports and similarly, his direct reports must exercise their delegation in accordance with the Group's approved strategic direction, its Code of Conduct and other Group policies. This gives the CEO and his management team a framework to drive the Group's strategic direction and meet the goals determined by the Board.

### 2.2 BOARD MEETINGS

The Board meets in person at least six times a year, with additional meetings and briefings held as required, usually by telephone. Senior executives are invited to attend Board meetings on a regular basis, even if they are not Board members. This provides a direct line of communication between the directors and management.

Non-executive directors also meet at least six times a year without management. Details of the Board and Committee meetings held and attendances at those meetings are set out in the Directors' Report on page 28.

Details of the directors' experience and qualifications are included on pages 29 to 30 in the Directors' Report.

### 2.3 BOARD COMMITTEES

The Board has established three standing Committees to ensure that it is well equipped to discharge its responsibilities and to assist the Board in carrying out its responsibilities: the Audit and Risk Committee; the Nominations Committee; and the Remuneration Committee. Each of the Committees has a formal charter in place.

Each Committee is comprised of:

- a non-executive director as Chairman;

- only non-executive directors, the majority of whom are independent; and
- at least three members.

Members of senior management may attend Committee meetings upon invitation from the relevant Chairman.

### Audit and Risk Committee

The Audit and Risk Committee assists the Board in overseeing the integrity of the Group's financial reporting, risk management framework and internal controls. The Committee has an important role in supervising and monitoring the progress of both the Internal Audit and Risk Management functions. It also manages the Group's relationship with the external auditor, including the auditor's appointment, removal and evaluation and approval of the auditor's engagement terms, fees and audit plan.

The Audit and Risk Committee also reviews and makes recommendations on the strategic direction, objectives and effectiveness of the Group's financial and operational risk management processes. This includes considering the effectiveness of risk management processes, compliance and internal control systems.

The Chairman of the Committee is an independent director who is not the Chairman of the Board. The following directors were members of the Audit and Risk Committee throughout the year:

NAME	DURATION
Erich Fraunschiel (Chairman)	Whole financial year
Grahame Campbell	Until 26 October 2010
Catherine Livingstone, AO	Whole financial year
JB McNeil	From 27 October 2010

Details of the Audit and Risk Committee meetings held and attendances at those meetings are set out in the Directors' Report on page 28.

The Audit and Risk Committee is responsible for establishing procedures for the selection and nomination to the Board of the external auditor. Those procedures involve obtaining detailed written submissions from the proposed external auditor, including a detailed resumé for the proposed senior audit engagement partner. The Committee then interviews that partner and seeks references from third parties as to their suitability before making any recommendation to the Board in this regard.

The Committee is also responsible for establishing procedures for the rotation of the external audit engagement partner. The Committee monitors that partner during his or her period of appointment and may recommend to the Board that that partner rotate earlier than is required by law if the Committee is of the view that this is appropriate in all the circumstances.

The Committee, on behalf of the Board, also monitors the integrity of the external audit function by not permitting:

- the partner managing the audit for the external auditor to serve for more than five consecutive years; and/or
- the external auditor to be retained for non-audit work where such retainer may detract, or be perceived to detract, from the auditor's independence or impartiality.

Fees paid to the external auditor for non-audit work are disclosed in the financial statements.

### Nominations Committee

The Nominations Committee assists and advises the Board on matters relating to Board composition and performance, including director independence, and the CEO's appointment, performance review and remuneration. The Committee reviews, assesses and advises the Board in relation to the necessary and desirable competencies of the Board. It also oversees director selection and appointment. In addition, the Board conducts a formal review of its own performance at least annually.

All non-executive directors are members of the Nominations Committee.

NAME	DURATION
Ron McNeilly (Chairman)	Whole financial year
Larry Benke	Whole financial year
Grahame Campbell	Until 26 October 2010
Erich Fraunschiel	Whole financial year
John M Green	Whole financial year
Eric Gwee	Whole financial year
Catherine Livingstone, AO	Whole financial year
JB McNeil	Whole financial year

Details of the Nominations Committee meetings held and attendances at those meetings are set out in the Directors' Report on page 28.

The Nominations Committee and the Board consider the composition of the Board at least twice annually: when assessing the Board's performance and when considering directors' re-election.

When considering appointing new directors, the Nominations Committee assesses the range of skills, experience, expertise, diversity and other attributes from which the Board would benefit and the extent to which current directors possess such attributes. This assessment allows the Nominations Committee to provide the Board with a recommendation concerning the attributes for a new director, such that they balance those of existing directors. The Board considers the Nominations Committee's recommendation and determines the attributes for which it is searching.

Candidates are assessed through interviews, meetings and background and reference checks (which may be conducted both by external consultants and by Board members) as appropriate. Following this assessment, the Nominations Committee will make a recommendation to the Board concerning the proposed appointment.

If the Board decides to continue the process, as a final step, all directors will meet with the proposed director. The Board will then make its final decision with regard to the appointment.

In considering whether the Board will support the re-election of incumbent directors, the Nominations Committee considers the skills, experience, expertise, diversity and contribution made to the Board by the incumbent director and the contribution that the director is likely to make if re-elected. If the incumbent director has already served as a director for at least three terms, the Nominations Committee will consider the desirability for Board renewal and Board

composition at that time and the incumbent director's skills, experience, expertise, diversity and contribution.

Following this assessment, the Nominations Committee will make a recommendation to the Board as to whether or not the Board should support the re-election of the incumbent director.

### Remuneration Committee

The Remuneration Committee assists and advises the Board on matters relating to Board remuneration, and the performance and remuneration of the CEO's direct reports. The Committee is responsible for ensuring that the Group has and observes coherent remuneration policies and practices which enable it to:

- attract and retain executives, directors and employees who will create value for shareholders;
- generate sustained business performance; and
- support the Group's objectives, goals and values.

Further details on the operation of the Committee are set out in the Remuneration Report at page 31 of the Annual Report.

The following directors were members of the Remuneration Committee during the financial year:

NAME	DURATION
John M Green (Chairman)	Whole financial year
Ron McNeilly	Whole financial year
Eric Gwee	Whole financial year

Details of the Remuneration Committee meetings held and attendances at those meetings are set out in the Directors' Report on page 28.

### 2.4 OTHER COMMITTEES

In addition to the Board Committees, a number of additional Committees assist the Board in monitoring and overseeing the Group's Code of Conduct and policies to reinforce the Board's commitment to corporate governance and strong ethical standards and integrity.

#### Disclosure Committee

The Continuous Disclosure Policy established a Disclosure Committee. The role of the Disclosure Committee is to consider matters which are potentially material and price sensitive and to determine whether those matters need to be disclosed to the market.

The Disclosure Committee comprises the CEO or the Chief Financial Officer (CFO), the Company Secretary and at least one non-executive director. Generally, the Board will consider major disclosure matters such as results, profit guidance and major acquisitions.

#### Ethics Committee

The role of the Ethics Committee is to:

- assess, develop, implement and oversee company ethics on a global basis;
- provide the oversight necessary to guide senior management and employees in their collaborative efforts to adhere to activities that encourage and reinforce good business practices and maintenance of regulatory requirements; and

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- recommend to the CEO and the Executive Committee the objectives, policies and procedures that best serve the Company's interests in maintaining a business environment committed to high standards of ethics and integrity, corporate responsibility and legal compliance.

The Ethics Committee comprises senior management representatives of Risk, Legal, Governance, Finance, and Internal Audit. It provides a forum through which ethical issues may be reported and investigated.

## PART 3 - GOVERNANCE POLICIES APPLYING TO THE GROUP

<b>Relevant policies and charters (see <a href="http://www.worleyparsons.com">www.worleyparsons.com</a>)</b>	- Board Charter
	- Audit and Risk Committee Charter
	- Nominations Committee – Board Charter
	- Nominations Committee Charter
	- Remuneration Committee Charter
	- Code of Conduct
	- Securities Dealing Policy
	- Continuous Disclosure Policy
	- Corporate Risk Management Policy
	- Corporate Responsibility Statement

### 3.1 ETHICAL DECISION MAKING - THE CODE OF CONDUCT

The Board has published various policies and codes to promote the Group's approach to ethical and responsible decision making.

The Group's Code of Conduct (Code) guides the Group's personnel as to the standards of behavior expected of all directors, executives, management, employees, contractors and agents of the Group. The Code has been translated into Arabic, Bahasa Indonesian, Bahasa Malay, Bulgarian, Chinese, French, Kazakh, Portuguese, Romanian, Russian, Spanish, Thai and Vietnamese.

While the Code seeks to prescribe standards of behavior for all personnel to observe, it does not, and understandably cannot, identify every ethical issue that a director, employee or others might face. The objective of the Code is to provide a benchmark for professional behavior throughout the Group, to support the Group's reputation and to make directors, employees and others aware of the consequences of breaching the Code.

The Code deals with many ethical issues, including:

- the Group's commitment to a safe and harassment-free workplace;
- good corporate citizenship and compliance with laws;
- acting with professional integrity (including conflicts of interest and facilitation payments); and
- protecting the Group's reputation, assets, resources, information and records.

The Group provides the Code to all Group personnel when they start with the Group. All Group personnel can access the Code from the Group's intranet or request a copy.

### 3.2 SECURITIES DEALING POLICY

The Board has approved a Securities Dealing Policy that applies to all directors, employees and contractors of the Group. The policy is designed to:

- explain the type of conduct in relation to dealings in securities that is prohibited under the relevant law and by the Group; and
- establish a procedure for buying, selling or otherwise dealing in the Company's securities that prohibits dealing by personnel and their associates during specified closed periods without prior approval from the Chairman of the Audit and Risk Committee, Chairman of the Board, CEO or Company Secretary, as appropriate. Such approval will only be granted to the directors (including the CEO), the CEO's direct reports and members of the CEO's Committee in exceptional circumstances.

The *Corporations Act 2001* prohibits members of the Company's key management personnel and their closely related parties from hedging any performance rights that they have been granted under the WorleyParsons Performance Rights Plan. Under the Group's Securities Dealing Policy, all personnel and their associates are prohibited from hedging any performance rights that they hold and they are also prohibited from hedging any shares that they hold that are subject to transfer restrictions or any minimum holding requirements.

Hedging includes entering into any transaction or arrangement in financial products which operates to limit the economic risk of a security holding in the Company, including equity swaps and contracts for difference.

### 3.3 MANAGEMENT OF MATERIAL BUSINESS RISKS

The Group has a Corporate Risk Management Policy and Risk Management Framework. The Board requires management to design and implement a risk management and internal control system to manage the Group's material business risks and report to it on whether those risks are being managed effectively. The Risk Management Framework supports the Corporate Risk Management Policy and describes the objectives, strategies, resources and responsibilities for managing risk.

The Group's risk management approach is based on the International Standard ISO 31000:2009 Risk management – Principles and guidelines. This approach adopts best practice in risk management so far as it relates to the Group's requirements. The Group's Risk Management systems are mature and embedded throughout the operations via the Group's Enterprise Management System.

The Group has processes to systematically identify, assess, and report on both financial and non-financial material business risks. Part of this process requires management to report to the Board as to the effectiveness of the Group's management of its material business risks. A strategic and operational Corporate Risk Management report is prepared and analysed by both management and the Board on an annual basis. The Board received reports from management on the effectiveness of the Group's management of material business risks during the reporting period.

This process enables the Board to consider the effectiveness of the Group's management of its material business risks. The Board has also received a written assurance from the CEO and the CFO that the declarations provided by them, in accordance with section 295A of

the *Corporations Act 2001* and ASX Principle 7.3, are founded on a sound system of risk management and internal control and that the system is functioning effectively in relation to financial reporting and material business risks.

### 3.4 INTERNAL AUDIT

The Internal Audit function is independent of management and is overseen by the Audit and Risk Committee. It provides assurance that the Group's financial and operational risks are being managed appropriately and that its internal control framework is operating effectively. In addition to his ongoing audit reports, the Director of Internal Audit provides an annual assessment to the Audit and Risk Committee of the adequacy and effectiveness of the Group's control processes and risk management procedures in light of the nature, function and size of the Group's operations.

### 3.5 CONTINUOUS DISCLOSURE

The Board is committed to ensuring that the Company complies with its continuous disclosure obligations and has approved a Continuous Disclosure Policy that applies to all Group personnel. The Board seeks to promote investor confidence by ensuring that trading in the Company's shares takes place in an informed market.

The Continuous Disclosure Policy is designed to ensure that all Group personnel are aware of the Company's obligations and to ensure accountability at a senior executive level for timely disclosure of material information. This policy aims to ensure that shareholders and the market in general are kept properly informed of material price sensitive information affecting the Company, on a timely basis. The Company discharges this obligation by releasing material price sensitive information to the ASX in ASX announcements and other documents distributed to shareholders, such as the annual reports.

### 3.6 COMMUNICATING WITH SHAREHOLDERS

The Board aims to ensure that shareholders are informed of all material information relating to the Company by communicating to shareholders through:

- continuous disclosure reporting to the ASX;
- the Annual Report; and
- media releases and other investor relations publications on the Group's website.

The Board encourages the full participation of shareholders at the Annual General Meeting to seek to ensure a high level of accountability and discussion of the Group's performance and goals. The Chairman encourages questions and comments from shareholders and seeks to ensure that shareholders are given ample opportunity to participate. The CEO and/or the CFO together with other executives occasionally meet with analysts and investors. Any presentations made to these groups are released to the market via the ASX and published in the Investor Relations section of the Group's website. Further, the CEO and/or CFO endeavor to respond to queries from investors and analysts for information in relation to the Group, provided the information requested is already publicly available or is not information which is considered price sensitive.

The external auditor attends the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

### 3.7 REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES

The Group seeks to attract and retain directors and executives with the appropriate expertise and the ability to create value for shareholders.

The remuneration structure for the non-executive directors is not related to performance. Non-executive directors receive fees which reflect their skills, responsibilities and the time commitments required to discharge their duties. The Company does not pay retirement benefits to non-executive directors (other than superannuation contributions in accordance with its statutory superannuation obligations).

The remuneration structure for senior executives reflects the Group's performance culture: there is a direct correlation between the executive's reward and individual and Group performance so as to seek to ensure that the Group's remuneration policy is aligned with its long term business objectives and the interests of shareholders and other stakeholders.

Further details of the remuneration policies and practices of the Group and the remuneration paid to directors and senior executives are set out in the Remuneration Report on pages 31 to 46 of the Annual Report.

### 3.8 DIVERSITY AND INCLUSION

The Group has historically managed diversity and inclusion policy, practice and reporting at a local and regional level. With the organization restructure, a group-wide diversity and inclusion policy and reporting structure is being developed.

The draft of the policy currently under consideration includes requirements for the Board to establish measurable objectives for achieving gender diversity and inclusion and to annually assess both the objectives and the Group's progress towards achieving them.

The Group intends to disclose those measurable objectives and its progress in its annual report for the 2012 financial year and for each following financial year.

The Group also intends to disclose in its annual report for the 2012 financial year and for each following financial year the proportion of women employees in the Group and women in senior executive positions. The Group is currently in the process of verifying this data and considering how best to present it so that an accurate picture of female participation and influence is presented.

The Group recognizes that diverse ideas, patterns of thinking and approaches to work generate value for all its stakeholders. Further, while gender diversity and inclusion is a focus for the Group, the Group also seeks to foster other types of diversity and inclusion including by race, ethnicity, sexual orientation, socio-economic status, culture, age, physical ability, education, family status, and religious, political and other beliefs.

While a policy concerning diversity and inclusion should assist the Group to monitor and progress diversity and inclusion within its workforce in a more formal and effective manner, the Group already has practices in place to foster diversity and inclusion. Set out below are examples of such practices undertaken for the financial year ended 30 June 2011 and plans are advanced for the following financial year with regard to this business critical objective.

## Corporate Governance continued

During the financial year the Group:

- appointed a Group Director responsible for advancing the Group's diversity and inclusion strategy and policy.
- launched its global Women's Professional intranet portal. The portal has approximately 400 participants across 20 countries and includes content such as discussion boards, profiles of women leaders in the Group, relevant articles, notification of relevant events and links to relevant websites.
- sponsored 31 female staff members to complete the My Mentor Program. This is a 12 week course specifically designed to advance the leadership capability of women.
- analyzed its remuneration practices in its United States business and found an extremely high level of pay equity between men and women across equivalent roles.
- sponsored 14 female staff members in the United States business to complete its Frontline Leadership Program and five to complete its Strategic Leadership Program.
- was a gold sponsor of the Women in Oil and Gas Conference in St. John's, Newfoundland, Canada, including providing a speaker and panel member and running an exhibit booth.
- sponsored three female staff members to attend the Banff Women's Leadership Conference in Canada, with a further two scheduled to attend in the following financial year.
- extended its Indigenous Employment Strategy throughout Australia and New Zealand.
- established a National Capacity Development Department within its Nigerian business that is dedicated to supporting the development of its staff who are Nigerian nationals.
- appointed an Oman Learning and Development Manager whose sole role is to develop the skills of its staff who are Omani nationals.
- has hired more than 60 Kazakh graduates in the past three years.
- developed a number of practices and courses to assist international assignees with cultural and language adaptation (e.g. Canada, Kazakhstan, Oman and Saudi Arabia).
- merged its existing South African business and the newly acquired KV3 business with 30% of the combined business owned by a BBBEE Employee (Broad-Based Black Economic Empowerment) trust.
- has continued its joint venture with NANA Regional Corporation Inc (the regional Alaska native corporation) to pursue projects in Alaska.