



Jacobs acquisition taking effect

Company/ASX Code	WorleyParsons/WOR
AGM date	Monday 21 October 2019
Time and location	2:00 PM Westin 1 Martin Place Sydney
Registry	Computershare
Webcast	No
Poll or show of hands	Poll on all items
Monitor	Gary Barton assisted by Lewis Gomes
Pre AGM Meeting	Yes, with Chair John Grill and Director Tom Gorman

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Worley revenue has increased by 35.6% to \$6.4 billion driven by the acquisition of Jacobs Energy Chemical and Resources (ECR) business in April 2019. The profit more than doubled to \$151.9 m up from \$62.2m last year. The debt has increased to \$2.1 billion up from \$1.0 billion last year. Cash flow from operations decreased by 9% to \$236.3m down from the previous year of \$259.7m. The company paid an increased dividend of \$0.275 per share; up 10% from the previous year of \$0.25.

Worley is undergoing a major transformation with the acquisition of Jacobs Energy Chemical and Resources (ECR). The \$4.6 billion acquisition was financed by a \$2.9 billion entitlement offer and debt of \$0.9 billion and \$0.8 billion of stock issued to Jacobs. The acquisition has increased the market capitalisation from \$4.8 billion to \$7.6 billion. The employee numbers have increased from 26,000 to 58,000. They now operate in 51 countries up from 42 previously. The total number of ordinary shares issued has increased from \$273m in 2018 to \$520m in 2019. Worley is currently making both their systems compatible.

Three new board members have been appointed this year, namely Juan Suarez Coppel, Sharon Warburton and Roger Higgins. One director, Catherine Livingstone, whose term expires this year, will not be seeking re-election. The chair John Grill is seeking re-election. Three new executives commenced as follows: Canadian based Andrew Berryman, President, Mining, Minerals and Metal Services, USA based Vinayak Pai, Group President, Energy and Chemical Services and Karen Sobel, Group President, Major Projects and Integrated Solutions, also USA based.

Summary

(As at FYE)	2019	2018	2017	2016	2015
NPAT (\$m)	151.9	62.2	33.5	23.5	(54.9)
UPAT (\$m)	259.8	182.0	135.0	166.6	258.4
Share price (\$)	14.71	17.63	11.22	7.20	10.41
Dividend (cents)	27.5	25	0	0	56
TSR (%)	(9.8)	58	56.3	(30.2)	(36.4)
EPS (cents)	36.4	22.6	13.4	9.5	(22.2)
CEO total remuneration, actual (\$m)	8.927	4.391	1.803	1.488	1.643

For 2019, the CEO's total actual remuneration was **101.27 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

Note - For May 2019, the Full-time adult average weekly total earnings (annualised) was \$88,145 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, "Full-time adult average weekly total earnings", Trend(a)).

Item 2 (a)	Re-election of John Grill as a Director
ASA Vote	For

Summary of ASA Position

Mr Grill was appointed to the Board with effect from 1 March 2013 and is based in Australia. He is the Chair of the Board and the Nominations Committee and a member of the Remuneration Committee and the Health, Safety and Environment Committee. He was the company's Chief Executive Officer and Executive Director from its listing in November 2002 until October 2013. He was also a director of the company before listing and its predecessor entities from 1971. He has over 40 years' experience in the resources and energy industry, starting his career with Esso Australia. In 1971, he became Chief Executive of Wholohan Grill and Partners, the entity that ultimately became WorleyParsons Limited.

Mr Grill has personal expertise in every aspect of project delivery in the resources and energy industry. He has strong relationships with the group's major customers and was closely involved at board level with the Group's joint ventures. He holds 7.45% of the company's shares.

The Board does not regard Mr Grill as an independent director.

Item 2 (b)	Election of Dr Roger Higgins as a Director
ASA Vote	For

Dr Higgins was appointed to the board effective 20 February 2019. He is a member of the Nominations Committee and Health, Safety and Environment Committee. He has extensive experience in mining and operations and has previously held senior positions in mining industries. Dr Higgins is a non-executive director of Newcrest Mining Limited and Ok Tedi Mining Limited, the Chair of Minotaur Exploration Limited and holds the position of adjunct professor with the Sustainable Minerals Institute, the University of Queensland. He holds a Bachelor of Civil Engineering (Hons), MSc (Hydraulics) and a PhD (Water Resources). Roger is a resident of Australia. The board regards Dr Higgins as an independent director.

Item 2 (c)	Election of Ms Sharon Warburton as a Director
ASA Vote	For

Ms Warburton was appointed to the board effective 20 February 2019. She is a member of the Nominations Committee and Audit and Risk Committee. She has experience in the construction, mining and infrastructure sectors. She is a Chartered Accountant with experience in strategy and accounting and has previously held senior positions at Rio Tinto, Brookfield Multiplex, ALDAR Properties PJSC, Multiplex and Citigroup. Sharon is Co-Deputy Chair of Fortescue Metals Group Limited, a non-executive director of NEXTDC Limited, Gold Resources Limited and Wesfarmers Limited, and a part time member of the Takeovers Panel. She is on the board of not-for-profit organisation Perth Children's Hospital. Sharon is a resident of Australia.

The Board regards Ms Sharon Warburton as an independent director.

The ASA will question Ms Warburton on her workload.

Item 2 (d)	Election of Doctor Juan Saurez Coppel as a Director
ASA Vote	For

Dr Coppel was appointed to the board effective 27 May 2019. He is a member of the Nominations Committee and Audit and Risk Committee. Juan has extensive experience in energy and resources in the Americas and was previously Chief Financial Officer and then Chief Executive Officer of Petrolesos Mexicanos (PEMEX), a senior executive with Grupo Modelo and an independent non-executive director of Jacobs Engineering Group INC. He was the Chief of Staff to the Minister of Finance Mexico and a senior executive with Bannamex and Grupo Televisa, Mexico. Juan is a resident of Mexico.

The Board regards Dr Juan Suarez Coppel as an independent director.

Item 3	Adoption of Remuneration Report
ASA Vote	Against

Summary of ASA Position

CEO remuneration framework

	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.7	30%	1.7	23%
STI – Cash	1.7	30%	2.7	37%
STI – Equity	0.8	15%	1.6	22%
LTI	1.4	25%	1.4	19%
Total	5.5	100.0%	7.3	100%

The remuneration report was difficult to understand. The monetary values of the various entitlements were hard to find in the report.

The targeted mix of remuneration component for the CEO is 30% fixed pay, a 30% cash bonus (which ASA guidelines are against, requiring at least 50% short term bonus to be deferred), a 15% share price performance rights (SPPRs - these will be renamed deferred restricted share rights and are aligned to medium-term) and long-term equity of 25%. Other executives' remuneration component is 43% fixed pay, a cash bonus of 26%, a SPPRs of 13% and long-term equity of 18%.

The company has decided the company's 2019 financial year (FY19) financial outcomes merited a payment of the cash component of the executives' variable pay based on achievement of key performance indicators (KPI). Each executive received between 41% to 57% of their target through the variable pay plan. The company is basing their bonuses on underlying profit, which is of benefit to the executives not shareholders.

The performance targets are set and measured through both financial (60% for CEO and 50% for other executives) and strategic KPIs (40% for the CEO and 50% for other executives). The financial KPIs are Group net profit after tax (NPAT), Business Line earnings before interest and tax (EBIT), Operating Expense Management and Group days sales outstanding (DSO or collection of receivables). The strategic KPIs are Health, Safety and Environment (HSE), the delivery of key imperatives for their business line linked to targeted business growth objectives and the implementation of operational excellence initiatives. Targets which drive collaboration and capability development within and across lines of business and achieve increased market share and market size outcomes. Metrics which focus efforts on positioning the business for future successes including development of new markets and service line capabilities as well as the development of key talent. These KPIs, and their appropriate thresholds, are linked to the business

strategy, agreed at the beginning of the financial year and are fundamental to the long-term sustainability and development of the business.

The minimum potential value is zero where applicable levels of performance have not been met. The maximum opportunity is 150% of the executive's target. Each KPI has an individual threshold. For financial KPIs, achievement above 80% of the budget target is required before a sliding scale applies, i.e. for each 1% above 80% of the budget, 5% is awarded. This is capped at 200% (which is for 120% achievement against budget). Strategic KPIs, which are a mix of individual financial and non-financial metrics, have a maximum achievement of 100%.

Generally, for an Executive to be eligible for a cash payment, they must have been employed for at least three months of the financial year and remain in employment at the date of payment.

The full year 2016 long term equity award outcomes are based on a relative total shareholder return (TSR) performance hurdle which carries a 50% weighting. Earnings per share (EPS) performance hurdle with a 50% weighting. The relative TSR minimum performance hurdles required for this award to vest was achieved and (EPS) growth was not achieved. This results in a partial vesting on 30 September 2019.

The SPPRs granted in FY17 vested during FY19, based on the share price performance during the period, continued employment and performance. The alignment based on share price growth during this period resulted in a multiple of 2.00.

A special acquisition grant has been made for two employees in relation to the acquisition of the UK Integrated Solutions business during FY18. Half of the grant was measured against progress made on a detailed scorecard across key workstreams during FY19. Performance outcomes were achieved and 50% of the award vested in full. The second half will vest in September 2019 subject to continued employment and satisfactory performance up to the vesting date.

The company is changing its remuneration structure for next year with a maximum payout increasing from 150% of fixed pay to 200%. The SPPR plan will be discontinued and replaced with a new deferred equity plan.

The ASA will be voting against the remuneration report for the following reasons:

- Total shareholder value has decreased this year minus 9.8%
- The proposed amounts are very high relative to other Australian companies and the company has performed poorly in terms of share price.
- The increase in maximum applied for short-term incentive (STI) to 200% is not acceptable, it should remain at 150%.
- The CEO and other executives were also given extra awards ECR acquisition. The company also needs to justify the ECR acquisition through performance rather than aspiration.

Item 4	Grant of deferred restricted share rights to Mr Andrew Wood
ASA Vote	Undecided

Summary of ASA Position

The company proposes to grant the CEO, Mr Wood, 84,000 deferred restricted rights shares. The issue of the restricted rights shares, subject to the satisfaction of vesting conditions, would be made in three equal tranches of the vesting period of three years. This grant is valued at \$1.05 m dollars.

The ASA will ask what the criteria for the grant is being made to Mr Wood. The answer will determine our vote on the item.

Item 5	Grant of long-term equity performance rights to Mr Andrew Wood
ASA Vote	Against

Summary of ASA Position

The proposed performance rights to be granted to Mr Wood are 142,800. This has been determined by dividing 85% of his fixed pay as at 1 July 2019 by the volume weighted average price over the 10 trading days following the release of the financial results. 85% is the maximum performance-based percentage for Mr Wood's long-term incentive. The payment will be split into two tranches, firstly a relative TSR hurdle must be satisfied for 71,400 performance rights to vest. This will vest at the 50th percentile which the ASA considers to be set too low. Secondly, an EPS growth hurdle of 71,400 performance rights. This will vest if the EPS growth is above 4% increase in the CPI and achieve 100% if above 8%. The ASA considers 4% too low.

Item 6	Approval of leaving entitlements
ASA Vote	For

Summary of ASA Position

Approval is sought for the payment of potential termination and entitlement benefits to employees. The company's policy is to treat ceasing employees fairly and in accordance with applicable laws and market practice. The acquisition of Jacobs ECR will result in some employees leaving and existing termination benefits and entitlements will be honoured.

The ASA will question whether any employees will receive more than 12 months' salary.

Item 7	Renewal of proportional takeover provisions
ASA Vote	For

Summary of ASA Position

The company is seeking renewal of the proportional takeover provisions. This was last renewed in the 2016 AGM. They are seeking another 3-year renewal term. The ASA prefers full takeovers so that shareholders are not left with a controlling shareholder and has no objection to this renewal.

Item 8	Change of company name
ASA Vote	For

Summary of ASA Position

The company is seeking shareholder approval to change the registered name of WorleyParsons Limited to Worley Limited, in accordance with section 157(3) of the corporations Act. If the name change is approved the references to WorleyParsons limited will be replaced with references to Worley Limited. The company's ASX listing code will remain unchanged.

The individuals involved in the preparation of this voting intention have a shareholding in this company.

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