

Consolidating earlier acquisitions

Company/ASX Code	Worley Limited (WOR)
AGM time and date	10am Friday 20 October 2023
Location	Northside conference centre. Cnr Oxley St and Pole Lane, Crows Nest
Registry	Computershare
Type of meeting	Physical with webcast
Monitor	Gary Barton assisted by Mike Batchelor
Pre-AGM Meeting	With Chair John Grill, People and Remuneration Chair Emma Stone and Senior Group Director Investor Relations Verena Preston

The individual involved in the preparation of this voting intention has a shareholding in this company.

1. How we intend to vote

No.1	To receive and consider the Financial Report	
2	To re-elect on and election of directors a) To re-elect Dr Martin Parkinson b) To elect Mr Joseph Geagea	For
3	To adopt the Remuneration Report	For
4	Grant of deferred equity rights to Mr Robert Christopher Ashton	For
5	Grant of long-term performance rights to Mr Robert Christopher Ashton	For
6	Approval of the Company's Performance Rights Plan	For

2. Summary of Issues and Voting Intentions for AGM

- In our overview of Worley Limited's financial report, it's worth noting that the company achieved a substantial 17% growth in revenue, reaching a total of \$11.3 billion. However, there is a notable contrast in the dividend yield, which stands at a modest 2.8% relative to the share price. This discrepancy can be attributed to the significant \$240 million loss incurred during the disposal of assets.

3. Matters Considered

Accounts and reports

The remuneration report still has some difficulties with incentives being geared to the American model. Environmental issues remain a constant threat.

Financial performance

(As at FYE)	2023	2022	2021	2020	2019
NPAT (\$m)	37	177	81	188	152
UPAT (\$m)	348	258	202	338	260
Share price (\$)	15.79	14.24	11.96	8.72	14.71
Dividend (cents)	50	50	50	50	27.5
Simple TSR (%)	14	23	41	-37	-10
EPS (cents)	7	32.8	15.7	30.3	36.4
CEO total remuneration, actual (\$m)	6.090	4.158	5.695	9.078	8.972

*Wages in US\$ 12-month average exchange rate AUD/USD 0.6736. AUD 9,040,974

Governance and culture

Worley Ltd boasts an extensive board comprised of eleven directors, with two of them currently seeking re-election. In addition to the information presented in the Annual Report, the company has issued a comprehensive Corporate Governance statement for the year 2023, accessible in the document labelled "WOR-corporate-governance-statement-2023.pdf" on their official website (worley.com). Notably, Worley Ltd has established concrete targets for both environmental and diversity accomplishments.

Within the Governance statement, there has been an improvement in the Board Skill Matrix compared to the previous year. However, it still falls short of our preference for specifying which directors possess skills.

Key events

Worley Limited's recent developments, we observed robust growth up until 2021, marked by a noteworthy 17% increase in revenue, totalling \$11.3 billion. However, there is a cause for concern as the net profit after tax witnessed a substantial decline, plummeting by 74% compared to the previous year, settling at just \$46k. It's worth noting that the dividend yield currently stands at 2.8%.

Worley also made a significant announcement regarding the completion of the sale of their turnaround and maintenance business in North America, which encompassed the power operations and maintenance sector within their Americas Field Services. This transaction involved a cash consideration of approximately AUD \$180 million. It's important to highlight that this sale incurred a loss, along with associated expenses, amounting to \$240 million. This loss and related costs have been duly recognized in the Consolidated Statement of Financial Performance under the "loss on sale of disposal group and related expenses" category and have been treated as an exclusion from underlying earnings.

Key board or senior management changes

Mark Trueman commenced as Group President, Americas on 1 July 2022, replacing Karen Sobel. Mark was previously Executive Group Director, Growth, responsible for strategy development and sector leadership.

Christopher Haynes retired from the Board of Directors after 11 years' service, effective 30 June 2023.

Joseph Geagea was appointed to the Board as an Independent Non-Executive Director, effective 1 July 2023. He is a member of the Nominations Committee and the People and Remuneration Committee

Sustainability/ESG

They continue to represent sustainability issues in diverse forums. This year, they

- participated in the UN Global Compact Business and Human Rights Accelerator Program.
- contributed to the Net Zero Australia study.
- helped establish the Engineering Leadership Group, bringing an engineering voice to global sustainability issues.
- recommitted our support to the Energy Transitions Commission, the World Economic Forum and the Oil and Gas Climate Initiative
- contributed to the Australian Climate Leaders Coalition Scope 3 roadmap.
- They continue to build the sustainability and digital competencies of their people through their Transformation Program. They have now issued over 44 thousand sustainability learning accreditations.
- ISS ESG Corporate Prime Rating – upgraded from C- to C+, which means their tradeable bonds and shares qualify for responsible investment.
- They have embedded multiple ESG Key Performance Indicators (KPIs) in their Short-Term Incentive (STI) plan, recognizing their commitment to environmental, social and governance principles.
- Carbon emissions is measured as reduction of Scope 1 and Scope 2 tons of carbon emitted at 41,422t CO₂ e. This is a reduction of 14% from FY2022 and exceeded our target.
- They have 16.3% of senior leader roles held by women. The percentage held steady compared to FY2022.

4. Rationale for Voting Intentions

Resolution 1 To receive and consider the Financial Report – no vote required

The Australian Shareholders Association (ASA) will inquire about the reasons behind this comparatively low dividend yield and seek insights into whether there are plans for improvement in the future.

Resolution 2(a) - Dr. Martin Parkinson Re-election - for

Martin was appointed to the Board effective 24 February 2020. He is a member of the Audit and Risk Committee and the Nominations Committee. Martin is a director of O'Connell Street Associates, North Queensland Airports and Champions of Change Coalition. Martin previously served as Secretary for the Australian Government's Department of the Prime Minister and Cabinet, Australian Treasury and Department of Climate Change. Martin is a former director of Orica, the Cranlana Program for Ethical Leadership and the German-Australian Chamber of Industry and Commerce. He's been a member of the Board of the Reserve Bank of Australia, Infrastructure Australia, the Council of Financial Regulators, the Board of Taxation, and the Territory Economic Reconstruction Commission. He was previously Chair of the Australian Office of Financial Management. Martin holds a PhD and an MA from Princeton University, an MEd from the Australian National University and a BEc (first class honours) from the University of Adelaide. ASA will support Martin's re-election.

Resolution 2(b) - Mr. Joseph Geagea Election - for

Joseph was appointed to the Board effective 1 July 2023. He's a member of the People and Remuneration Committee and the Nominations Committee. Joseph had a 40-year career with the Chevron Corporation, retiring in June 2022 as Executive Vice President and Senior Advisor to Chevron's Chairman and CEO. During his time with Chevron, Joseph's roles included Executive Vice President of Technology, Projects and Services and President of Chevron Gas and Midstream. Joseph was also responsible for Chevron's upstream activities in Bangladesh, Cambodia, China, Myanmar, Thailand, and Vietnam and led Chevron's downstream operations in East Africa, the Middle East and Pakistan. Joseph holds a Bachelor of Civil Engineering and a Master of Civil Engineering from the University of Illinois. He is a member of the American Society of Civil Engineers. Joseph is a resident of the United States of America. ASA will support Joseph's election. We will vote for his re-election and will ask Mr Geagea to outline reasons why he should be elected.

Resolution 3 Remuneration Report - for

Worley Limited's remuneration report and our intention to cast proxies for both the Remuneration Report and equity grant motions, we have provided a more comprehensive analysis in the attached Appendix.

It's important to note that the remuneration framework employed by Worley differs from that of many other Australian companies. Specifically, the Short-term Incentive (STI) is disbursed in immediate cash payments, while the Deferred Equity Plan (DEP) is spread over years two and three. Meanwhile, the Long-term Incentive (LTI) is vested over a four-year period. This structure bears a resemblance to the American model, which aligns with Worley's significant employee base in the United States.

ASA has expressed a preference for a higher portion of the STI to be allocated in the form of equity.

Resolution 4. Grant of deferred equity rights to Mr. Robert Christopher Ashton - for

Worley Limited is set to present a crucial resolution for the grant of deferred equity rights to Mr. Robert Christopher Ashton, a proposal that is supported by ASA. This initiative introduces a key performance indicator (KPI) centred on the growth in gross margin achieved from customer projects within the realm of defined sustainability work.

Key Details of the Deferred Equity Rights Grant:

- **KPI Focus:** The primary focus of this grant lies in measuring the growth in gross margin resulting from customer projects that fall within the defined scope of sustainability work. This strategic emphasis underscores Worley's commitment to advancing sustainability efforts within its project portfolio.
- **Performance Period:** The performance period for this grant spans a two-year duration, commencing on July 1, 2023, and concluding on June 30, 2025. This timeframe allows ample opportunity for Mr. Ashton to contribute to and witness the positive impacts of sustainability initiatives within the organization.
 - **Number of Deferred Equity Rights:** In recognition of Mr. Ashton's anticipated contributions, Worley Limited has earmarked the issuance of 84,882 deferred equity rights. These rights represent a tangible expression of the company's commitment to rewarding sustained performance in sustainability-focused projects.

This grant of deferred equity rights underscores Worley's dedication to fostering sustainable practices and rewarding executives who contribute significantly to the company's sustainability goals.

Resolution 5. Grant of long-term performance rights to Mr. Robert Christopher Ashton - for

Worley Limited has proposed the grant of long-term performance rights to Mr. Robert Christopher Ashton, a resolution that has garnered the support of the ASA. This initiative involves the allocation of Long-term Incentive (LTI) awards, which will be divided into two equal tranches, each with its unique performance criteria.

Tranche 1: Relative Total Shareholder Return (TSR) The first tranche focuses on Relative Total Shareholder Return (TSR), a metric that gauges the change in the capital value of Worley's share price over a comprehensive four-year period, taking into account reinvested dividends and expressing it as a percentage of the initial value. For this tranche, comprising 69,724 long-term performance rights (TSR Tranche), specific TSR hurdles must be met for vesting to occur.

In the fiscal year 2024, the Relative TSR will be assessed against two distinct comparator groups:

1. **Core Peer Group (Weighted 80%):** This group comprises companies that directly compete with Worley for customers, talent, and projects. The core peer group for FY2024 includes Aker Solutions, Fluor Corp, KBR, Petrofac, SNC Lavalin, Technip Energies, and Wood.
2. **Secondary Comparator Group (Weighted 20%):** Comprising AECOM, Arcadis, Jacobs, Parsons, Stantec, Sweco, Tetra Tech, and WSP Global, this group provides additional context for evaluating TSR performance.

The TSR performance of each company within these peer groups will be meticulously assessed, and Worley's TSR performance will be ranked relative to these peers to determine the vesting outcome for this tranche.

Tranche 2: Earnings Per Share (EPS) The second tranche, also consisting of 69,724 long-term performance rights (EPS Tranche), introduces an earnings per share (EPS) growth hurdle. EPS is calculated by dividing the Group's underlying net profit after tax and amortizations (NPATA) by the weighted average number of shares during the financial year.

These two tranches of long-term performance rights, each with its specific performance criteria, reflect Worley's commitment to aligning executive incentives with the company's strategic goals and financial performance.

Resolution 6. Approval of the Company's Performance Rights Plan - for

ASA will support this resolution.

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Appendix 1

Remuneration framework detail

CEO rem. Framework for FYXX	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	2.073	%	2.078	%
STI - Cash	2.528	%	3.118	%
STI - Equity	1.586	%	1.455	%
LTI	0	%	2.390	%
Total	6.187	100.0%	9.040	100%

Worley Limited introduced significant changes to its remuneration framework in 2022, which notably included a reduction in the maximum Short-term Incentive (STI) to 150%. The revamped framework is built upon the following key components:

- Business Scorecard with Universal KPIs:** The framework includes a business scorecard featuring Key Performance Indicators (KPIs) that are applicable to all executives. This scorecard places a consistent emphasis on financial KPIs, accounting for 60% of the assessment, while giving heightened importance to Environmental, Social, and Governance (ESG) metrics at 20%, and strategic considerations at 20%.
- Individual Scorecards with Diverse KPIs:** Individual scorecards are customized for each executive, aligning with their specific areas of responsibility, personal leadership qualities, and expected behaviours. These scorecards encompass a blend of quantitative and qualitative measures, ensuring a holistic evaluation of performance.
- Performance-Driven Rewards:** The remuneration framework is designed to differentiate rewards based on individual performance. As an example, Mr. Chris Ashton achieved an STI outcome of 125%, resulting in a cash payout of \$2.528 million. Other executives also achieved STI outcomes of 125%.
- Deferred Equity Plan (DEP):** The DEP is distributed over a two-year period and is contingent on the achievement of a specific Key Performance Indicator related to Growth in Gross Margin in sustainability-related work. This performance metric is assessed from June 2021 to June 2023, measured in constant currency. In this instance, the DEP was fully vested at 100%.
- Long-term Incentive (LTI):** In the fiscal year 2023, Worley did not conduct any testing for LTI grants due to the transition from a three-year to a four-year performance period. Evaluation of the FY2021 LTI grant is scheduled for June 30, 2024.

Executive Shareholdings: Mr. Chris Ashton, as an executive of the company, holds a substantial stake of 731,320 shares in Worley Limited.