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Acquisition has an impact

Company/ASX Code	Worley (WOR)
AGM date	Friday, 23 October 2020
Time and location	, 10am AEDT Lumi Webcast
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Gary Barton, assisted by Lewis Gomes
Pre AGM-Meeting?	Yes, with Chair John Grill, Director Tom Gorman, Investor Relations Manager Verona Preston

Please note any potential conflict as follows: the individual involved in the preparation of this voting intention has a shareholding in this company.

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

Summary of ASA Position

Worley nearly doubled its consolidated revenue this year to $13.1 billion, due to the full year impact of the Energy, Chemical and Resources (ECR) acquisition from Jacobs Engineering Group in April 2019. Statutory net profit after tax increased slightly in dollar terms but decreased on a percentage of revenue basis to 1.4% in 2020 from 2.4% in 2019. The margin decreased mainly due to significant acquisition, transformation and restructuring costs in 2020. The underlying EBITA margin remained unchanged at 8.2%.

The dividend per share of $0.50 per share increased from $0.275 previously. However, earnings per share were only $0.328 per share, a pay-out ratio of 152%. The total shareholder return declined to minus 37%.

Worley is a more resilient business following the completion of the ECR acquisition with increased diversification across geographies and sectors as well as greater exposure to its customers' operating expenditures which are historically less variable in periods of industry downturn. The increased diversification has been particularly important during the economic circumstances (Covid 19 pandemic) experienced this year.

This year is an important milestone in Worley's history. FY2020 was its first full year operating as the new Worley and it has many achievements to celebrate. It successfully integrated the Energy, Chemicals and Resources division of Jacobs delivering cost and revenue synergies beyond those identified pre-acquisition.

CEO Andrew Wood retired on the 24 February 2020, after 8 years in the position. He was replaced by Chris Ashton, an internal appointee, who previously held the position of the Chief Operating Officer.

Financial Summary

(As at FYE)	**2020**	**2019**	**2018**	**2017**	**2016**
NPAT ($m)	188.0	151.9	62.2	33.5	23.5
UPAT ($m)	432	259.8	182.0	135.0	166.6
Share price ($)	8.77	14.71	17.63	11.22	7.20
Dividend (cents)	50	27.5	25	0	0
TSR (%)	(37)	(9.8)	58	56.3	(30.2)
EPS (cents)	32.8	36.4	22.6	13.4	9.5
CEO total remuneration, actual ($m)	9.079*	8.927	4.391	1.803	1.488

*This includes payment for Mr Wood and Mr Ashton. Mr Wood's payment includes a termination payment of $1.737m.

For 2020, the CEO's total actual remuneration was **96.34 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics).

Note - For May 2020, the Full-time adult average weekly total earnings (annualised) was $94,224 (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 Dr Christopher Haynes as a Director**
ASA Vote	**For**

Christopher has been a board member since 1 January 2012. He is the Lead Independent Director of the Board, chairman of the Health, Safety and Sustainability Committee and a member of the People and Remuneration Committee and Nominations Committee.

Christopher had a 39-year career with the Shell Group of companies and three years with Woodside Petroleum. He has extensive experience working in oil and gas, LNG and chemical business, mainly in project development, delivery and operations.

Christopher is a non-executive director of Woodside Petroleum. He has skin in the game with 18,922 shares. We consider his workload is not excessive and is an independent director.

Item 2(b)	Re-election of Dr Martin Parkinson as a Director
ASA Vote	Undecided

Martin was appointed to the Board effective 24 February 2020. He is a member of the Nominations Committee and the Audit and Risk Committee.

Martin was appointed the Chancellor of Macquarie University in October 2019. He is a director of O'Connell Street Associates, North Queensland Airports and Male Champions of Change Limited, a member of the Territory Economic Reconstruction Commission and is on the advisory councils of the Asia Society Australia and Thrive Refugee Enterprise.

Martin has previously served as a director of Orica Limited, the Cranlana Program for Ethical Leadership, and the German-Australian Chamber of Industry and Commerce. He has 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 Sir Roland Wilson Foundation and was Chair of the Australian Office of Financial Management.

Martin has held a number of very senior positions in the Commonwealth Public Service including Secretary of the Department of Prime Minister and Cabinet, Secretary of the Australian Treasury and was the inaugural Secretary of the Department of Climate Change.

He has skin in the game with 14,000 shares. We consider Martin an independent director, but the ASA will ask questions on his workload and his specific contributions to Worley.

Item 3	Adoption of Remuneration Report
ASA Vote	Against

Chris Ashton (CEO framework annualised)

CEO rem. framework	Target* $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	1.70	30	1.70	23
STI - Cash	1.70	30	3.40	46
Deferred Equity (DEP)	0.85	15	0.85	11
LTI	1.45	25	1.45	20
Total	5.70	100	7.40	100

The amounts in the table above are the statutory amounts that are envisaged in the design of the remuneration plan. Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.

Worley had a change of CEO in February 2020. The long serving CEO Andrew Wood retired and was replaced by Chris Ashton previously the Chief Operating Officer of the company. The fixed annual remuneration for Chris Ashton was reduced to $1.7million (previously $2.1million for Andrew Wood)

The company has restructured the remuneration framework to a three-stage variable component, a Short-Term Incentive (STI) which is a cash award paid for annual performance. CEO: 100% of fixed salary (target); Other KMP (typical): 80% of fixed salary (target). The maximum STI opportunity increased to 200% of target (previously 150%). The STI focuses executives on delivering key financial (60%), health, safety and sustainability (10%) and strategic (30%) priorities relevant to the financial year.

The Deferred Equity Plan (DEP) is delivered in equity rights, progressively converting to shares in equal tranches over 3 years. CEO: 50% of fixed salary Other KMP: 40% of fixed salary. The DEP replaces the former Share Price Performance Rights (SPPR) plan. The SPPR were tested over two years with a multiple that could result in up to 2x grant value. The DEP has a 3-year vesting period. The DEP was introduced to be internationally competitive to attract, motivate, retain and mobilise executives across multiple countries, particularly North America. This is different from the way companies operate in Australia.

The scorecard of key performance indicators is a 70% weighting of growth in value from services provided to customer projects delivering a sustainability benefit for the customer consistent with Worley's strategy. This will be measured through growth in gross margin from these projects. Secondly, a 30% weighting of delivering enhanced capabilities and solutions consistent with Worley's strategy to help customers achieve their sustainability goals in line with a Board-approved plan.

The Long-Term Incentive (LTI) is delivered in performance rights, with vesting at 4 years (3-year performance condition plus additional 1 year holding lock), CEO: 85% of fixed salary, other KMP (typical): 60% of fixed salary. The relative TSR comparator group was expanded to include new international competitors due to the Jacobs ECR acquisition. The LTI was set to be a reward for sustainable long-term growth in shareholder value measured through relative Total Shareholder Return (TSR) and Earnings Per Share (EPS) growth.

Worley has set robust minimum shareholding requirements for both executives and non-executive directors. The CEO: 400% of fixed pay, Other KMP: 200% of fixed pay, NED's: 100% of annual base fee.

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

• Total shareholder value has decreased this year minus 37%

• The proposed amounts are 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%

Item 4	Approval of grant of deferred equity rights to Mr Robert Christopher Ashton
ASA Vote	Against

Summary of ASA Position

The number of deferred equity rights proposed to be granted to Mr Ashton is 87,992. That number has been determined by dividing 50% of his fixed pay as at 1 July 2020 by the volume weighted average price (VWAP) of shares over the 10 trading days immediately following the day on which the company released its financial results for FY2020, $9.66 (that is, $1,700,000 x 50% / $9.66 = 87,992 deferred equity rights). The rights were valued using a simple face value methodology and no independent valuation was obtained. The deferred equity rights vest in three equal tranches over three years. The vesting conditions are that the executive remains an employee of the Group on the vesting date and that their performance is satisfactory up until that time.

The scorecard of key performance indicators is a 70% weighting of growth in value from services provided to customer projects delivering a sustainability benefit for the customer consistent with Worley's strategy. This will be measured through growth in gross margin from these projects. Secondly, a 30% weighting of delivering enhanced capabilities and solutions consistent with Worley's strategy to help customers achieve their sustainability goals in line with a Board-approved plan.

The ASA considers this payment as a benefit for simply being an employee

Item 5	Approval of grant of long-term performance rights to Mr Robert Christopher Ashton
ASA Vote	For

Summary of ASA Position

Worley is seeking shareholder approval for the grant of 149,586 long-term performance rights to the CEO and Managing Director, Mr Ashton. The LTI is assessed against two equally weighted, independent performance targets: TSR and EPS. The TSR measure (50% weighting) is a peer comparator group for the FY2020 grant comparing eighteen similar worldwide companies. This is assessed through the change in the value of their share price over a period, including reinvested dividends. The relative TSR ranking starts at the 50^{th} percentile at 50% and rises to 100% at the 75^{th} percentile

The EPS growth performance hurdle – 50% weighting. This is assessed by dividing the group underlying NPAT by the weighted average number of the company’s ordinary shares on issue during the financial year. To measure growth in EPS, they compare the EPS in the financial year immediately preceding the grant with the EPS in the measurement year. To receive a payment a compound annual growth rate is required of 4% p.a. above the increase in CPI to achieve a 50% vesting. Vesting of 100% is achieved at 8% p.a. above the increase in CPI.

Item 6	Contingent spill resolution
ASA Vote	**Undecided**

This will only be put to the vote if at least 25% of the votes cast on Item 3 are against the resolution to adopt the Remuneration Report. That is, if the Company receives a "second strike".

If the company receives a second strike, this should send a message to the board that they cannot keep changing the remuneration criteria on a regular basis. Shareholders are voting that they consider the performance hurdles are too easy to meet.

The company has acquired numerous new board members over the last few years, and these members should be given an opportunity to guide the company into the future. We are undecided on the vote for this motion.