

# Chairman's Letter to Shareholders



Dear Shareholders

One of the primary responsibilities of the Board and senior management is to successfully deliver UGL's fundamental strategy of growing earnings over a sustained period of time to create value for our shareholders. UGL's approach to remuneration has been, and continues to be, aligned with our strategy and focus on creating shareholder value as demonstrated by our strong performance track record.

Over the last decade, UGL has achieved sustained earnings growth and delivered returns to our shareholders well in excess of the broader market. Underlying EPS has grown at a cumulative average growth rate of 16.1 per cent, from 22.7 cents per share to 101.3 cents per share. Our total return to shareholders has grown at a cumulative average growth rate of 19.9 per cent compared to 6.9 per cent for S&P/ASX 200.

Our growth over the last decade has been achieved by identifying and capturing unique market opportunities which have transformed UGL into a complex and diverse global company with operations in 52 countries and a workforce of over 56,000 people. Our unique business platform, while one of UGL's key strengths, has also become one of our key challenges. As a result of this challenge, our ability to attract, retain and reward high quality leaders is critical to our continued success. The Board is mindful of ensuring that our remuneration practices support this objective to the benefit of our shareholders.

At our Annual General Meeting last October, 30 per cent of the vote we received from shareholders did not support the 2011 Remuneration Report.

A number of concerns were raised by shareholders and stakeholder advisory groups in relation to our remuneration practices and the disclosure of our incentive arrangements.

To better understand these concerns and ensure the Board's objectives were well communicated, the Board significantly increased its engagement with our key shareholders and stakeholder advisory groups. Following this engagement process, we understand that:

- we need to continue to review our remuneration practices and disclosures in the context of stakeholder and market expectations;
- it is our responsibility to better communicate the rationale and value of our remuneration strategies to our key stakeholders; and
- we need to continue to engage with our stakeholders to better allay any concerns by explaining our objectives and how the remuneration outcomes each year relate to our performance and delivery of shareholder value.

With this in mind, our 2012 Remuneration Report (as set out on pages 37 – 54 of UGL's 2012 Annual Report) has been developed to outline the value of our remuneration strategies in what we hope are simple, clear terms and provide an explanation of the link between the remuneration outcomes against the delivery of set objectives which support our strategy.

The report also seeks to provide better context in relation to some of our historical remuneration arrangements, including those agreed with the Managing Director & CEO in 2009.

UGL remains focused on delivering sustainable value for our shareholders. Ensuring we maintain an executive remuneration framework which aligns with this objective continues to be a key priority for the Board. The Board recognises that it is our responsibility to maintain shareholder confidence in our leadership of UGL and our remuneration practices, and to this end we value your feedback and look forward to welcoming you to our 2012 AGM.

Trevor C Rowe AO  
Chairman

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#### About UGL Limited

UGL Limited (ASX: UGL) is a global leader in outsourced engineering, property services and asset management and maintenance delivering essential services that sustain and enhance the environment in which we live. UGL comprises three business units including Engineering, Operations & Maintenance and Property providing services across the power, water, rail, resources, property, transport, communications and defence sectors. Headquartered in Sydney, Australia, UGL operates worldwide across 52 countries employing over 56,000 people. For more information, visit: [www.ugllimited.com](http://www.ugllimited.com) ABN 85 009 180 287

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Level 10, 40 Miller St | Locked Bag 903 | North Sydney NSW 2060 | Australia | Tel: +61 2 9492 8888 | Fax: +61 2 9492 8844