



STATEMENT OF
CORPORATE GOVERNANCE PRACTICES
2016

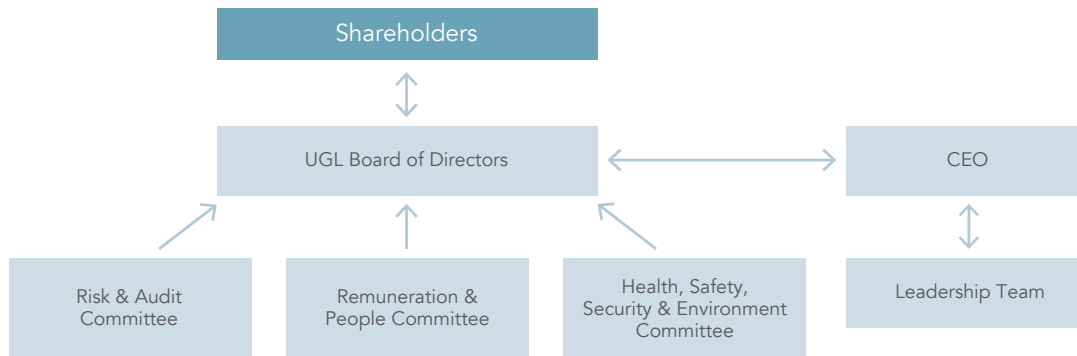
1. UGL'S GOVERNANCE FRAMEWORK

UGL's overarching purpose is to deliver sustainable economic growth for its shareholders. Guided by this purpose, we maintain a robust corporate governance framework and are committed to regularly reviewing and refining this framework to ensure high standards of corporate governance are retained. UGL's corporate governance practices support its vision and strategy, which are discussed in the 2016 annual report to shareholders.

This statement, dated 19 August 2016, outlines the main corporate governance practices in place throughout the 2016 financial year up to the date of this statement, reported against the ASX Corporate Governance Principles & Recommendations issued in March 2014 (the Guidelines). It has been approved by the UGL Board.

More information on UGL's corporate governance framework and key documents, or a summary of these documents, can be found in the corporate governance area of the UGL website at www.ugllimited.com.

UGL's corporate governance framework is illustrated below.



Key aspects of the framework are discussed in more detail in this statement.

2. BOARD OF DIRECTORS

2.1 BOARD ROLE AND RESPONSIBILITIES

The constitution provides that the business and affairs of UGL are governed under the direction of the Board. In delivering sustainable growth for its shareholders, the Board is accountable to shareholders for the proper management of the company. In carrying out its role and its responsibilities, the Board at all times:

- Acts honestly, fairly and diligently
- Acts in accordance with laws and regulations
- Maintains good corporate governance standards
- Avoids or manages conflicts of interest
- Fosters a culture in which bribery, corruption and anti-competitive behaviour are never acceptable
- Fosters a culture to with the ultimate goal of zero harm to employees, communities and the environment acts in a manner designed to create and continue to build sustainable growth for shareholders.

During the year, the Board adopted a revised charter which sets out its key responsibilities as follows.

- Approving UGL's strategies, budgets and business plans.
- Assessing performance against business plans and budgets.
- Monitoring suitability of business strategies.
- Approving and monitoring major investments, divestments and significant capital expenditure.
- Ensuring appropriate risk management systems, internal control and reporting systems and compliance frameworks are in place and operating effectively.
- Overseeing the integrity of UGL's accounting and corporate reporting systems, including external audit.
- Reviewing and overseeing the implementation of appropriate corporate governance practices.
- Appointing, supporting, evaluating and rewarding the CEO.
- Reviewing matters relating to remuneration and other people policies and practices.

In addition to the responsibilities outlined above, the Board is also responsible for a number of activities related to the nomination and appointment of directors including the following.

- Reviewing succession plans for the non-executive directors and Board committees.
- Reviewing and approving nominees for Board membership, including re-election and election of directors.
- Reviewing the size, composition and skills of the Board required to meet the needs of UGL.
- Developing and reviewing criteria and procedures for the identification and recruitment of future candidates for election as directors of UGL.
- Developing and implementing procedures for the Board's periodic evaluation of its performance and effectiveness.
- Reviewing induction and ongoing development programmes for directors.

2.2 ROLE OF CEO AND SENIOR MANAGEMENT

The Board appoints the CEO, who reports directly to the Chairman. The CEO is responsible for the day to day management of UGL, within the specified limits of authority approved by the Board. The CEO must consult the Board on matters that:

- Have, or may, have a material impact on the value of the securities of UGL; or
- Are sensitive, extraordinary or of a strategic nature; or
- Are outside the CEO's delegation of authority and therefore must be referred to the Board for approval.

The CEO is also responsible for supervising senior executives and representing them to the Board. Delegations of Authority by the CEO to senior executives are reviewed, communicated and monitored on an ongoing basis.

The Leadership Team (LT) consists of the CEO, the Chief Financial Officer (CFO), the Executive General Manager (EGM) People and Culture, EGM Investor Relations & Corporate Development, EGM Health, Safety, Security, Quality & Environment and each of the EGMs for UGL's divisions – Rail & Defence, Asset Services, Technology Systems, Engineering & Construction, Major Projects and Asia. The LT has direct responsibility for implementing and leading UGL's operations and strategy. The LT meets on a regular basis and meetings are chaired by the CEO. The purpose of the meetings is to provide the LT with a forum for updating and exchanging information on key operational and strategic matters.

Review of the CEO and senior management

The Board has established performance criteria for the CEO and conducts a performance review at least annually. The CEO conducts an annual review of performance of the LT and reports on their performance to the Remuneration & People Committee.

Further detail on the performance review process for the CEO and senior management and the outcome of the reviews related to the 2016 financial year are discussed in the Remuneration Report, which is published in the 2016 annual report to shareholders.

2.3 COMPOSITION AND MEMBERSHIP

The constitution provides that the company is not to have more than 12, not less than three, directors. Within the limits set out in the constitution, it is the policy of the Board to increase the number of directors when it considers that additional expertise is required or an outstanding candidate is identified and available to allow for appropriate succession planning requirements.

UGL has a Board of seven directors, six of whom are non-executive directors and one of whom is an executive director. Details of the current members of the Board, including their qualifications, term of office and role are set out in the table below. Biographies are detailed on UGL's website at www.ugllimited.com.

NAME OF DIRECTOR	TERM IN OFFICE	PROFESSIONAL QUALIFICATIONS	ROLE
K Spargo	Director since October 2010, Chairman since 30 October 2014	LLB (Honours), BA, FAICD	Independent, non executive director
R Taylor	Director since 24 November 2014	B Eng, Civil Engineering, (1st Class Honours)	Managing Director and CEO
J Cooper	Director since April 2015	BSc (Building) (Hons), FIE Aust, FAICD, FAIM	Independent, non executive director
G Cowan	Director since February 2009	BSc (Hons), FCA (UK), MAICD	Independent, non executive director
R Humphry AO	Director since October 2004	FCA, FCPA, S Fin	Independent, non executive director
J Harvey	Director since 10 August 2015	B Com, MBA, FCA, FAICD	Independent, non executive director
R Kaye SC	Director since 10 August 2015	LLB, LLM (Hons)	Independent, non executive director

2.4 SUCCESSION PLANNING AND DIVERSITY ON THE BOARD

The individual directors and the Board as a whole recognise the importance for the Board to have the right diversity of skills and experience to provide the company with strong stewardship. Through a considered succession planning process, the Board is committed to identifying and attracting suitably experienced leaders to ensure that it has the right directors. The Board uses independent external consultants to assist with identifying and attracting suitably experienced directors. As part of this process, the independent consultants undertake appropriate checks on candidates which are incorporated as part of the report to the Board.

At the 2016 annual general meeting, Richard Humphry will not be seeking re-election as a director and will retire at the conclusion of the meeting. In planning for Richard Humphry's upcoming retirement, over the course of the year, the Board has focussed on the succession plan for each of its committees to ensure a smooth transition and to ensure that each committee has the diversity of skills and experience to support the Board. The following changes were made to the composition of each of its committees.

Jane Harvey was appointed as a member of the Risk & Audit Committee in October 2015 and took over as Chairman of the committee in February 2016. Jane has extensive commercial and financial skills applied in a range of management and advisory roles across various industries including utilities, energy infrastructure, transport and logistics, financial services and retail. Her experience as both a director and audit

committee chair over the last 15 years is invaluable and considered appropriate to lead the Risk & Audit Committee.

Robert Kaye was appointed as a member of the Remuneration & People Committee in December 2015 and will take over as Chairman of the committee following Richard Humphry's retirement in October 2016. Robert has gained invaluable knowledge and experience across remuneration and people matters as a member of remuneration committees for other listed companies. His experience will guide the committee to meet its responsibilities under its charter. A further director will be appointed as a member of the committee following Richard Humphry's retirement.

John Cooper was appointed as an additional member of the HSSE Committee. John Cooper has more than 35 years' experience in the construction and engineering sector in Australia and overseas. During his career as an executive, John's roles have encompassed large civil, commercial and infrastructure projects, and complex engineering and project management activities in the mining, oil and gas, engineering and property sectors. This experience brings invaluable insight into the health, safety and environment issues considered by the Committee.

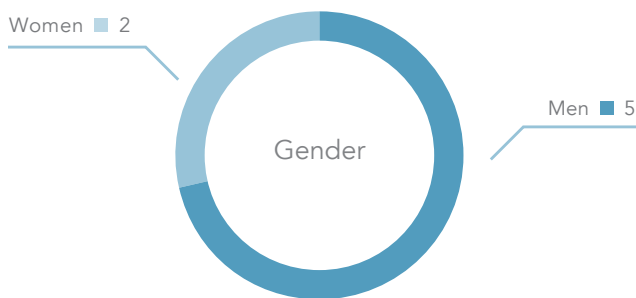
During the period, the Board refined its board skills matrix. The mix of skills and experience currently represented on the Board is as follows:

SKILLS AND EXPERIENCE	NUMBER OF DIRECTORS (OUT OF 7)
Industry Experience/market Knowledge in sectors and business lines UGL operates	6
Geographic business experience where UGL operates	
Australia/NZ/Pacific	7
Asia	4
Functional Experience	
Business Leadership	6
Financial Acumen	7
Strategy and Risk Management	7
Corporate Governance and Compliance	7
Executive Remuneration	5
Legal Knowledge	4
Public Policy	3
Information Technology and Innovation	4
Safety and Sustainability	5

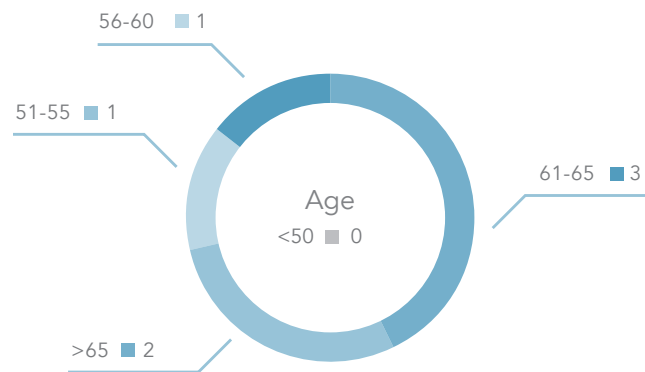
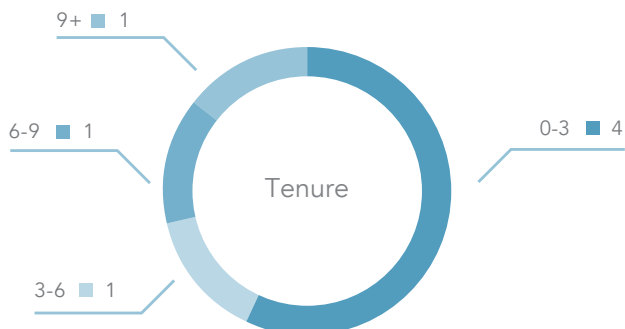
In addition to the above technical experience, the Board considers that each director has the following personal attributes:

- Genuine interest and commitment to the success of UGL and its businesses
- Integrity and honesty
- Curiosity and courage
- Interpersonal skills and the ability to work in a collegial team
- Active contributor to discussions
- Time available to undertake the responsibilities.

The following illustrate gender, tenure and age of the Board.



As part of the Board's commitment to increase the number of women on its Board, it has agreed to join the 30% club. This means that the Board is committed to have 30% of its directors represented by women by the end of 2018.



2.5 CHAIRMAN

The Board elects one of its independent non-executive directors to be Chairman. Under the Board's charter the position of Chairman cannot be held by a major shareholder. Kate Spargo assumed the responsibilities of the Chairman effective from 30 October 2014.

The Chairman's responsibilities include:

- Leadership and effective performance of the Board
- Ensuring the Board receives accurate, timely and clear information
- Arranging regular evaluation of the performance of the Board and its Committees and of individual directors
- Ensuring that directors have adequate opportunity to contribute, and seeking to develop and maintain relations between directors and management, particularly the CEO, that are open, cordial and conducive to productive cooperation
- Being available for consultation with the CEO
- Representing the Board to UGL's shareholders.

The Board's charter specifies that the Chairman cannot be a current or former Managing Director and CEO of UGL.

2.6 INDEPENDENCE

The Board must comprise a majority of directors who are assessed to be independent. The Board assesses whether a director is independent on a case by case basis. The Board has adopted the following guidelines to assist in considering the independence of directors. Generally, directors will be considered to be independent if they are not member of management and they:

1. are not a substantial shareholder of UGL or an officer of, or otherwise associated directly or indirectly with, a substantial shareholder of UGL.
2. are not employed, or been previously employed in an executive capacity by UGL or another group member, and there has been a period of at least three years between ceasing employment and serving on the Board.
3. have not within the last three years been a partner, director, senior employee of a provider of material professional services to UGL or another group member.
4. have not within the last three years been a material business relationship (e.g. supplier or customer) with UGL or other group members or an officer of or otherwise associated directly or indirectly with someone with such a relationship.
5. do not have a material contractual relationship with UGL or another group member, other than as a director of UGL.
6. do not have close family ties with any person who falls within any of the categories described above.
7. have not been a director of UGL for such a period that his or her independence may have been compromised.

8. are free from any interest, business or other relationship which could, or could reasonably be perceived to materially interfere with the director's ability to act in the best interests of UGL.

The Board will consider the materiality of the director's interests, position, associations or relationships for the purposes of determining independence on a case by case basis, having regard to both quantitative and qualitative analysis. Without limiting the Board's discretion, the Board has adopted the following guidelines.

- The Board will determine the appropriate base to apply (e.g. revenue, equity or expenses) in the context of each situation.
- In general, the Board will consider a holding of 5% or more of UGL's shares to be material.
- In general, the Board will consider a relationship which accounts for less than 5% of the relevant base to be immaterial for the purposes of determining independence. Where this threshold is exceeded, the materiality of the particular circumstance with respect to the independence of a director should be reviewed by the Board.
- Overriding the quantitative assessment is the qualitative assessment. The Board will consider whether there are any factors or considerations which may mean that the director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the director's ability to act in the best interest of UGL.

Richard Humphry has been a director of UGL since 2004. The Board believes that his independence has not been compromised as a result of his tenure at UGL and considers that his experience in the area of finance and risk management is invaluable, especially in his role as both chair and member of the Risk & Audit Committee.

After considering the above criteria and comments, the Board has concluded that each of its non-executive directors is independent.

2.7 CONFLICTS OF INTEREST

The Board is aware of its obligations to ensure that directors avoid conflicts of interest and has adopted a procedure to ensure that conflicts and potential conflicts of interest are disclosed to the Board each month. Any director with a material personal interest may not participate in boardroom discussions or vote on the matter unless the Board resolves otherwise.

No material conflicts of interest were identified during the period.

2.8 RETIREMENT AND RE-ELECTION OF DIRECTORS

Under the constitution of UGL, non-executive directors cannot hold office without re-election beyond the third annual general meeting following the meeting at which the director was last elected or re-elected.

There is no limit on the number of terms to which a non-executive director can be appointed but the Board is consciously aware of independence and tenure of directors when directors are seeking re-election

Where a resolution to appoint a director to the Board is presented for shareholder consideration, the Board discloses in the notes to the notice of meeting whether the Board supports the nomination of the proposed candidate and outlines details on the experience of the candidate.

Kate Spargo is seeking re-election at the 2016 annual general meeting and the directors unanimously support the reappointment of Kate. Further details will be outlined in the notice of meeting which will be sent out to shareholders on 23 September 2016. As previously outlined, Richard Humphry intends to retire at the 2016 annual general meeting.

2.9 MEETINGS AND ATTENDANCE

The Board discharges its responsibilities by holding structured meetings throughout the year. There are ten scheduled meetings each calendar year and additional meetings are held as required. Further details on the number of Board and committee meetings held during the financial year and the attendance at these meetings is set out on in the table below:

	BOARD		RISK & AUDIT COMMITTEE		REMUNERATION & PEOPLE COMMITTEE		HEALTH, SAFETY, SECURITY & ENVIRONMENT COMMITTEE	
Current Directors								
K Spargo	15	15	–	–	6	6	5	5
R Taylor	15	15	–	–	–	–	5	5
J Cooper	15	15	4	4	–	–	3	3
G Cowan	15	15	4	4	–	–	5	5
J Harvey	13	13	2	2	–	–	–	–
R Humphry AO	15	15	4	4	6	6	–	–
R Kaye SC	13	12	–	–	3	3	–	–
Former Director								
D McTaggart	2	2	–	–	–	–	–	–

Shaded column: Meetings held while a director or member, and required to attend.

Unshaded column: Meetings attended.

* Directors are invited to attend committee meetings subject to availability. The table records attendance at committee meetings as members.

At Board meetings, strategic and policy issues, budgets, capital expenditure requirements and important operational issues are discussed and/or decided and the financial and operational performance of UGL is reviewed and monitored.

Between meetings, the Chairman meets regularly with the CEO to discuss issues that may require guidance or that may need to be referred to the Board for decision.

The Board's practice is to involve senior executives where matters of strategic or operational importance are discussed by the Board.

A number of the scheduled meetings are held at operational sites of the company to provide the directors the opportunity to meet with employees and tour the facilities. In addition, directors have unrestricted access to each other, the CEO, senior executives and other employees as required to enable them to properly discharge their duties.

2.10 COMPANY SECRETARIES

The company secretary is appointed by the Board. The company secretary works with the Chairman to ensure that Board policies and procedures are followed. Specific responsibilities include:

- Ensuring that the Board and Committee agendas are developed in a timely and effective manner
- Ensuring, in conjunction with the CEO, that Board and committee papers are developed and distributed in a timely and effective manner
- Coordinating, organising and attending meetings of the Board, committees and shareholders, and ensuring that correct procedures are followed
- Drafting and maintaining minutes of Board, committee and shareholder meetings
- In conjunction with the CEO and other senior management, carrying out the instructions of the Board and giving practical effect to the Board's decisions
- Meeting statutory reporting and record-keeping requirements in accordance with the relevant legislation
- Working with the Chairman and the CEO to establish and maintain best practice corporate governance.

All directors have access to the company secretary.

Lyn Nikolopoulos was a company secretary from October 2006 to December 2010 and was re-appointed on 29 July 2011. She has a Bachelor of Business from UTS and she holds a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia. She is a fellow of the GiA and has over 15 years' experience in a company secretary role.

Pryce Dale, General Counsel, was appointed joint company secretary from September 2014. He has a Bachelor of Economics and Bachelor of Law from Charles Darwin University and over 15 years' experience in both private and in-house legal practise in Australia and the UK.

2.11 COMMITMENT, INDUCTION AND TRAINING

Each newly appointed director receives a formal letter of appointment that outlines the key terms and conditions relating to their appointment. The director must sign a copy of this letter acknowledging acceptance of the terms of their appointment.

Prior to appointment, each non-executive director must acknowledge that they have and will continue to have the time available to discharge their responsibilities to UGL.

Following the appointment to the Board, an induction program is organised for new directors that includes meeting members of management and visits to key sites. The purpose of the program is for newly appointed directors to become familiar with UGL's people, operations and the culture and values of UGL.

Non-executive directors are expected to spend appropriate time as required preparing for and attending Board and committee meetings and associated activities.

Other commitments of non-executive directors that might affect their contribution are considered prior to a director's appointment to the Board and reviewed regularly. Directors have access to continuing education to update and enhance their skills and the Board is kept informed of key developments within the company and the industry sectors in which UGL operates.

2.12 INDEPENDENT PROFESSIONAL ADVICE

Each director has the right to seek independent professional advice on matters that may be of concern. Such advice will be at the expense of UGL if approval is first given by the Chairman of the Board.

2.13 REVIEW OF BOARD PERFORMANCE

The Board continually assesses and reviews its performance to ensure individual directors, the Board as a whole and its committees work efficiently and effectively. The process for conducting the performance review is agreed to by the Chairman.

For 2016, the Board has appointed an independent consultant to assess its performance.

2.14 DIRECTOR REMUNERATION

The structure of director remuneration is set out in the Remuneration Report.

3. BOARD COMMITTEES

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. The committee structure and membership is reviewed regularly. Each of these committees has its own charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All charters are approved by the Board. Where required, matters determined by committees are submitted to the Board as recommendations for decision.

Each committee chair provides a verbal update on the committee's deliberations at the subsequent Board meeting. Minutes of committee meetings are tabled at Board meetings and directors have the opportunity to question and contribute on matters considered by the committees. Additional requirements for specific reporting by the committees to the Board are addressed in the charter of the individual committees. All directors are entitled to attend committee meetings. Committee meeting agendas, papers and minutes are made available to all members of the Board.

In carrying out their duties, the committees are entitled to engage appropriately qualified external consultants to provide advice and recommendation. The committees also have unrestricted access to senior management to assist them to understand the details for discussion.

It has been UGL's practice for all directors to be involved in the succession planning process for the Board and its directors. During the period, all succession planning activities in relation to directors, the Board and its committees were transferred from the Nomination and Remuneration Committee to the Board. These activities, outlined under section 2 of this statement, are now the responsibility of the Board as a whole led by the Chairman. The decision was made not to create a separate committee where all directors are members of the committee as this would create undue administration and costs with no benefit to shareholders.

The following table summarises the composition, responsibilities and interaction with management for each of the Board's committees.

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	Remuneration & People Committee (Previously Nomination & Remuneration Committee)	Risk & Audit Committee	Health, Safety, Security & Environment Committee
Current Members	Richard Humphry AO (Chair) Kate Spargo Robert Kaye SC	Jane Harvey (Chair) Richard Humphry AO John Cooper Guy Cowan	Guy Cowan Kate Spargo Ross Taylor John Cooper
Membership changes since last statement	Robert Kaye SC was appointed as a member of the Committee in December 2015.	Kate Spargo resigned as a member of the Committee in October 2015. Jane Harvey was appointed as a member of the Committee in October 2015 and was appointed the Chair in February 2016.	John Cooper appointed as a member in October 2015.
Composition	<ul style="list-style-type: none"> At least three non-executive directors, majority independent. The chairman of the committee must be an independent director. Chairman of the Board is not eligible to be chairman of the committee. 	<ul style="list-style-type: none"> At least three non-executive members directors, majority independent. The chairman of the committee must be an independent director. The chairman of the Board of directors is not eligible to be the chairman of the committee. 	<ul style="list-style-type: none"> At least two non-executive directors. The Managing Director and CEO is also a member. The chairman of the committee must be an independent director.
Meeting frequency	Meets at least three times per year and additional as required.	Meets at least four times per year and additionally as required.	Meets at least four times a year.
Interaction with management and information	The EGM People and Culture attends the meeting and provides a report to the committee on key aspects of people and culture function, including remuneration strategy. The CEO is invited to attend committee meetings and is excluded from the committee's discussions on matters relating to his remuneration.	At each meeting the committee receives reports from management on financial performance and developments, risk management, legal risks, internal and external reports. Members of management, including the CEO and CFO, and representatives from the external auditors attend meetings by invitation.	At each meeting the committee receives reports from management on the following: <ul style="list-style-type: none"> Performance against key indicators and targets set by the committee. Projects and initiatives for improving the health, safety and security of employees and environmental practices. The EGM for Safety, Security, Quality and Environment attends each meeting.

Remuneration & People Committee (Previously Nomination & Remuneration Committee)	Risk & Audit Committee	Health, Safety, Security & Environment Committee
<ul style="list-style-type: none"> • Review and make recommendations to the Board in relation to UGL's overall remuneration policy and framework and people and culture strategy. • Review and make recommendations to the Board on the CEO's remuneration package, including but not limited to: <ul style="list-style-type: none"> – Fixed remuneration levels – Short and long term remuneration targets and outcomes (including performance targets). • In conjunction with the Chairman of the Board, evaluate and make recommendations to the Board on the performance of the CEO. • Review and make recommendations to the Board regarding equity-based schemes applying to employees and directors. • Based on the recommendations put forward by the CEO, review and approve the remuneration levels and the incentive plan performance targets and outcomes applying to Executive KMP. • Note recommendations put forward by the CEO in relation to the remuneration levels and the incentive plan performance targets and outcomes for direct reports not considered KMP. • Review and make recommendations to the Board on the issue of invitations to participants of incentive plans. • Review and make recommendations to the Board on appropriate remuneration structures for non-executive directors of the Board and its Committees. • Review the superannuation administration and management arrangements across UGL. • Review the remuneration report disclosures included in the directors' report each financial year. • Review succession plans for the CEO. • Monitor the succession plans for the CEO's direct reports. • Review and monitor strategies and measurable objectives for achieving workforce diversity for UGL, including progress towards achieving them. 	<ul style="list-style-type: none"> • Review, monitor and obtain assurance on: <ul style="list-style-type: none"> – the keeping and reporting of financial information in accordance with accounting standards and the law – the application of UGL's accounting policies – the company's internal control systems – the compliance with applicable policies and laws – the assessment and control of business risk, including economic, environmental and social sustainability risks – compliance with corporate governance and ASX listing rules. Discussion of the Risk & Audit Committee's involvement in risk management is disclosed under principle seven. • Provide a forum for communication between the Board, the internal and external auditors and senior management in relation to the matters above. • Review, manage and monitor related party transactions. • Review and monitor internal and external audit functions. • Review the independence and performance of the external auditors. • Oversee any incident involving fraud or other breakdown of UGL internal controls. • Oversee UGL's insurance program having regard to UGL's business and the insurable risks associated with its business. 	<ul style="list-style-type: none"> • Set strategies for occupational health, safety, security and environmental issues. • Monitor compliance with policies and procedures that have been put in place to underpin the following goals: <ul style="list-style-type: none"> – No one should suffer injury or illness arising from their working responsibilities or from the wider context surrounding their work location, either within or on behalf of the company. – the company's operations should not infringe on the quality of the environment, the aim being to contribute to improving the environment wherever this rests within the company's capabilities.

4. SHAREHOLDERS

4.1 SHAREHOLDER COMMUNICATIONS

The Board recognises that shareholders are entitled to receive timely and relevant information about their investment.

Where they elect, shareholders receive a copy of the company's annual report and provision is made for shareholders to receive email alerts notifying them of the release of information by UGL. UGL's website www.ugllimited.com also includes a feedback mechanism and a direct link to UGL's share registry.

UGL also communicates with its shareholders via its corporate website. The dedicated investor and media section includes published financial reports, notices for general meetings of shareholders, corporate governance policies, ASX announcements, webcasts, investor briefings and a calendar of events.

UGL views the annual general meeting as an opportunity for shareholders to meet with and question the Board and senior management and encourages shareholders to attend. The company's external auditor is invited to attend all general meetings of shareholders. At the annual general meeting, the auditors are available to answer shareholder questions regarding the conduct of the audit and the preparation and content of the audit report.

The company receives regular reports on its beneficial ownership structure to assist it with its communication strategy. UGL has regular structured meetings with its shareholders and is mindful of relevant disclosure requirements.

4.2 CONTINUOUS DISCLOSURE AND MARKET COMMUNICATIONS

UGL has written policies and procedures requiring disclosure of any information concerning the company that a reasonable person would expect to have a material effect on the price of the company's securities. The Board has overall responsibility for ensuring UGL complies with its disclosure obligations under the listing rules. The company secretary has been nominated as the officer responsible for communications with the ASX on all listing rule matters.

All information disclosed to the ASX is posted on UGL's website following confirmation from the ASX that the information has been disclosed to the market. When analysts are briefed on aspects of UGL's operations, the material used in the presentation is released to the ASX and posted on the company's website. Internal records are kept of all briefings with shareholders and/or analysts including a record of those present and the subjects discussed.

5. PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

UGL has a number of policies and guidelines which provide employees and its officers with direction on expected behaviours or processes required to promote ethical and responsible decision making. All company policies are published on the company's intranet and material policies and guidelines are communicated to each new employee as part of their induction training.

5.1 CODE OF ETHICS AND CODE OF CONDUCT

UGL strives to achieve the highest standards of behaviour and accountability and demands that its directors and employees be honest in their dealings with each other, and all counterparties. The code of ethics and the code of conduct underpin our social, ethical and environmental commitments and send a powerful message to all our stakeholders of UGL's commitment to responsible business practice.

Under the code of conduct, officers and employees are required to comply with all laws, avoid actual or potential conflicts of interest, not engage in unethical business practices and refrain from giving or receiving any improper payments, benefits or other gains and provide quality service and good stewardship of assets to all stakeholders.

The code of ethics provides employees with standards of behaviour required by its employees in dealing with colleagues, clients, investors, suppliers, subcontractors, the government and the wider community.

5.2 ANTI-BRIBERY AND CORRUPTION

Prevention of bribery and corruption is taken very seriously at UGL. UGL has adopted an anti-bribery and corruption policy which applies to all staff. This policy is supported by guidelines that outline:

- The anti-bribery control framework, including procedures that are in place to prevent bribery
- The duties and responsibilities of all employees
- How allegations of fraud and other illegal acts are managed
- To promote further awareness and understanding of UGL's anti-bribery and corruption arrangements, all employees are required to complete an e-learning course.

5.3 WHISTLEBLOWER POLICY

UGL policy requires employees who are aware of unethical, unlawful or undesirable conduct practices within the company or breaches of the UGL's policies to report these using the company's whistleblower program. This can be done anonymously. Where whistleblowers act in good faith and make a report in accordance with the policy, such persons are protected from dismissal, demotion, any form of harassment, discrimination or bias.

5.4 INSIDER TRADING, SECURITIES TRADING, MARGIN LENDING AND HEDGING POLICIES

It is UGL's policy that under all circumstances, its officers and employees comply with the letter and the intention of the insider trading laws when dealing in UGL securities. Under UGL's trading policy, designated persons must only trade during the following trading window periods.

- The five week period commencing on the day after the release of the half year results for that financial year
- The five week period commencing on the day after the release of the annual results for the previous financial year
- The five week period commencing the day after the company's annual general meeting
- A period during which the company has a current prospectus, cleansing notice or other form of disclosure document on issue under which persons may subscribe for UGL shares
- Any other period determined by the Board, in advance, to be an open window period.

Designated persons:

- May only trade in UGL securities during a trading Window, provided that they are not in possession of price sensitive information at the time. Trading at all other times is not permitted
- Are required to obtain prior written clearance to trade in UGL securities during a trading Window
- May seek prior written clearance to sell their UGL securities outside a trading Window in exceptional circumstances.

Designated persons include:

- The CEO, all directors, company secretaries and any other officer of UGL
- All employees, consultants and contractors located at UGL's corporate company Head office in North Sydney
- All direct reports to the CEO
- All reports to each of the division EGMs
- Any person who by their role or otherwise, becomes aware of price sensitive information that is not generally available to the public, including (but not limited to) UGL board papers (e.g. executive assistants who may have access to a designated person's email or document folders
- Members of the Business Leadership Group.

Directors and senior management (and their associates) are prohibited from engaging in short term trading of UGL securities.

The Trading in Securities policy also extends to dealings in securities of other companies with which UGL may be dealing (including UGL's clients or business partners). If an officer or employee is aware of inside information about another company they should not either directly or indirectly deal or procure or encourage another person to deal in those securities.

Hedging

UGL has adopted the following policy in relation to hedging arrangements entered into by directors, officers and senior managers:

- Employees (including executive directors) and their closely related parties are prohibited from entering into a hedging arrangement in relation to an element of the employee's remuneration that has not vested or has vested but remains subject to a holding lock
- Non-executive directors and their closely related parties are prohibited from entering into a hedging arrangement in relation to an element of the director's remuneration that has not vested or has vested (irrespective of whether it remains subject to a holding lock).

Hedging arrangements include but are not limited to a put option on incentive remuneration, a short position on shares that forms part of incentive remuneration, and an income protection insurance contract in which the insurable risk event affects the financial value of remuneration or equity or an equity-related instrument for the employee or director.

Margin loans

Directors, officers and senior managers are prohibited from entering into margin loans or similar arrangements if the loan or other arrangement is secured by (amongst other things) securities in the company which account for 0.5% or more of the total issued capital of the company. Any margin loan or similar arrangement otherwise entered into by a director, officer or senior manager must be disclosed to the Board and the Company Secretary.

Where a margin loan or similar arrangement is in place a director, officer or senior manager must not provide any inside information to the lender.

6. FINANCIAL REPORTING, RISK MANAGEMENT AND INTERNAL CONTROLS

6.1 FINANCIAL REPORTING

The Risk & Audit Committee assists the Board in discharging its obligations for financial reporting. The composition and key responsibilities of the committee are discussed earlier in this statement. When reviewing financial reporting and financial statements for each reporting period, particular consideration is given to:

- Any changes in accounting policies and practices
- Major judgemental decisions
- Significant adjustments proposed by the auditors
- The going concern assumptions and any qualifications
- Compliance with accounting standards
- Compliance with applicable listing rule and other legal requirements or regulatory guidance in relation to financial reporting.

6.2 RISK MANAGEMENT

Risk management plays an active and visible role within UGL supported by processes and structures to effectively manage opportunities and adverse effects within its operating environment. By effectively managing risk, UGL aims to increase the certainty of business outcomes and understanding the company's obligations to shareholders and key stakeholders, which ultimately leads to the sustainable growth for shareholders.

The Board is responsible for reviewing and approving UGL's risk management framework. The Risk & Audit Committee assists the Board by reviewing the company's risk management framework and its application.

UGL's risk culture is underpinned by the following principles:

- Risk is managed at appropriate levels
- Everyone is a risk manager
- Leadership is accountable for risk management
- Resources should be allocated wisely
- Protect our people and business
- Business opportunities are considered based on the risk versus reward appetite.

The governance and risk management framework is supported by a standalone and consistent operating methodology, referred to as UGL Way. This operating methodology applies to all of our people, in all locations, at all times. During the period, the UGL Way standardised platform was rolled out across the company. More established business processes with clear accountabilities will provide UGL with greater predictability and enhance the company's ability to mitigate risks.

Reporting to the Risk & Audit Committee

The Risk & Audit Committee receives reports at each of its meetings on key business risks which include details of:

- Material risks in relation to projects regarding risks and opportunities, positive and negative developments, deteriorating positions
- Organisational risk relating to resources, systems, operations, HSE and sustainability
- Litigation and insurance
- Internal audit
- External audit
- Financial risks.

6.3 EXPOSURE TO ECONOMIC, ENVIRONMENT AND SOCIAL SUSTAINABILITY RISKS

During the period the Board built upon the business reset in 2015 to turnaround the business and start delivering on the vision and strategic priorities for UGL. UGL has reviewed the sustainability framework and developed a strategy to proactively manage our social and environmental risks, opportunities and performance in the context of UGL's overall vision. The reporting component of the framework adopts the Global Reporting Initiative (GRI) G4 standard with some additional aspects drawn from the Infrastructure Sustainability Council of Australia (ISCA) Infrastructure Sustainability (IS) rating scheme version 1.2.

Materiality of aspects and risks was determined by an internal UGL management group with a good understanding of the various stakeholder groups and their views. The process materiality assessment involved:

- Identifying current reporting using DJSI and CDP and undertaking a gap analysis
- Considering an initial broad list of aspects based on GRI G4 and the gap analysis
- Identifying aspect boundaries
- Undertaking an internal workshop to review and prioritise each aspect. A materiality threshold was determined by the group and those issues with an importance value greater than the threshold were deemed material.

Based on the materiality assessment, UGL has material exposures to a number of economic, environment and social sustainability risks as identified in the table below.

Risk Type	Aspect	Risks	Management Approach
Economic	Economic Performance – creation and distribution of wealth to stakeholders	Financial	Risk Management Guideline Bid reviews Monthly project reviews Monthly business reviews UGL Way
Environmental	Materials – contribution to conservation of material resources and increased efficiency	Financial, resource depletion	Environment policy Procurement policy Just in time logistics LEAN processes Consumables management
	Energy – energy efficiency and contribution to environmental footprint	Financial, GHG emissions, reputation	Environmental Policy Energy Management Strategy Energy efficiency targets
	(Environmental) Compliance – compliance with legal environmental obligations	Reputation	Environment policy Environmental Management System certified to ISO14001 Risk Management Guideline HSSE Risk Management Policy Audit Program

Risk Type	Aspect	Risks	Management Approach
Social	Employment – the ability to attract and retain diverse qualified employees, and boost employee morale and productivity	Turnover, productivity	Employee Relations Policy Recruitment and Selection Standard Performance Review Process Employee Probation Standard Grievance Resolution Procedure Competitive remuneration framework
	OH&S – systems and approach to managing OH&S	Employee health and well-being, financial, productivity	Health and Safety Policy OH&S Management System certified to AS/NZS 4801
	Training and Education – investment and management of employee skills	Turnover, productivity	Learning and Development Policy Project Management Development Program Frontline Leadership Development Program IR Training Program Business Leadership Forum Further Education Policy
	Diversity and Equal Opportunity – diversity of human capital	Productivity, innovation	Diversity and Inclusion Strategic Plan with specific targets (refer to section 7 of the statement) Flexible Working Arrangements Guideline Parental Leave Standard EEO Policy Equity and Diversity Policy 30% club
	Freedom of Association and Collective Bargaining – support of workers’ rights to freedom of association and collective bargaining	Productivity, legal	Employee Relations Policy Freedom of Association Standard Enterprise Bargaining Procedure
	Local Communities – assessment, planning and engagement in order to understand community expectations and needs, and manage impacts	Reputation, disruption to operations	Donations policy Site based tactical approach
	Anti-corruption	Reputation	Anti-bribery and corruption policy and training
	Anti-competitive Behaviour – anti-competitive behaviour, anti-trust, and monopoly practices	Legal, reputation	Competition law policy
	Customer Health and Safety – processes to address health and safety across the life cycle of products and services	Financial, reputation	OH&S Management System certified to AS/NZS 4801 Product Safety Assurance Procedure (rolling stock) Safety in Design Procedure

UGL’s economic risks are discussed in the Operating and Financial review section of the annual report and UGL’s activities in relation to environmental and social sustainability risks are discussed in the Corporate Responsibility section.

6.4 INTERNAL AUDIT

The internal audit function provides independent assessments on the appropriateness of the company's risk management policies and procedures and governance controls. The results of the assessments are reported to the Risk & Audit Committee. The committee also monitors management's response to recommendations arising from such assessments. Internal audit plans are reviewed by the committee to ensure that they address key areas of risk, with appropriate coordination with the external auditor.

6.5 CEO AND CFO ASSURANCES

The Board receives regular reports on UGL's financial and operating results.

When the Board is considering the adoption of full year or half results, it receives in writing declarations from the CEO and the CFO confirming the following:

- UGL's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operating results of the company
- The financial reporting risk management and associated compliance and controls are assessed as operating effectively in all material aspects.

This representation is founded on a sound system of internal control and risk management that implements the policies adopted by the Board.

As part of the declaration process, all executives and key finance managers for the divisions and corporate functions complete a questionnaire.

The above formed part of the process for approving the results for the half year period to 31 December 2015 and fully year period to 30 June 2016.

6.6 EXTERNAL AUDITOR

The external auditor is KPMG. At least twice a year, the Risk & Audit Committee meets with representatives of KPMG without management in attendance. KPMG attend each committee meeting and each year they are required to confirm their independence. The committee has also implemented a policy to ensure that any material non-audit work is approved.

The Risk & Audit Committee is responsible for recommending to the selection and appointment of the external auditor. A change in the external auditor would require UGL to go to tender and the following would be considered by the committee as part of the review process:

- Independence
- Experience in the sectors that UGL operates in
- Jurisdictions that the auditor is able to cover
- Value for money

The lead signing audit partner is rotated every five years and must rotate off the engagement for a minimum of two years. The current signing partner was appointed for the 2016 financial year audit and is due to rotate at the completion of the 2020 financial year. Any other partner with significant involvement must rotate after seven continuous years on an engagement.

During the period, UGL completed a formal competitive tender of the group's statutory audit services. The desired outcome was to select a firm who:

- Understands our business, its risks, issues, cultures and emerging trends
- Has industry experience
- Will deliver a quality audit that is tailored to our business
- Offers value for money
- Is, and is seen to be independent.

Four firms were invited to put forward a proposal. Based on clear and set evaluation criteria, the incumbent, KPMG was considered by the Board to be the firm to continue to provide statutory audit services.

7. DIVERSITY

Over the last 12 months, UGL's diversity & inclusion strategy has made an impact on the business. We have made real progress towards our goal of increased female inclusion by establishing targets to increase the numbers of female graduates and apprentices, and to bolster our overall female employment numbers. This year, we joined the National Association of Women in Operations (NAWO) and Diversity Council Australia (DCA) creating valuable networks that strengthen our gender competence. In addition, we re-set our Parental Leave provisions to introduce a Parental Leave Payment for primary-carers equal to 14 weeks basic wage plus superannuation, and Non-primary Carer Leave enabling partners to spend important time with new family members.

As part of our 2016-18 'Innovate' Reconciliation Action Plan (RAP), our employees are becoming more aware of Aboriginal and Torres Strait Islander culture through recognising and celebrating important Aboriginal and Torres Strait Islander events. We have also made progress towards closing the gap on Aboriginal and Torres Strait Islander employment through setting targets to increase the number of Aboriginal and Torres Strait Islander cadets, graduates and apprentices; and we strengthened our partnerships with Aboriginal Businesses.

7.1 DIVERSITY IN THE WORKPLACE

We have increased the number of women in the Business Leadership Group as a result of targeted efforts of identifying female talent and internal promotion. We acknowledge our female representation is lower than desired, however our aim is to double this by 2021.

UGL's current number of employees is 7,850. See below:

MEASURE	FINANCIAL YEAR 2015	FINANCIAL YEAR 2016
Total workforce gender split	Male 90%/ female 10%	Male 90%/ female 10%
Females recruited	388	362
% women in the Business Leadership Group (top 134 leaders)	15%	20%

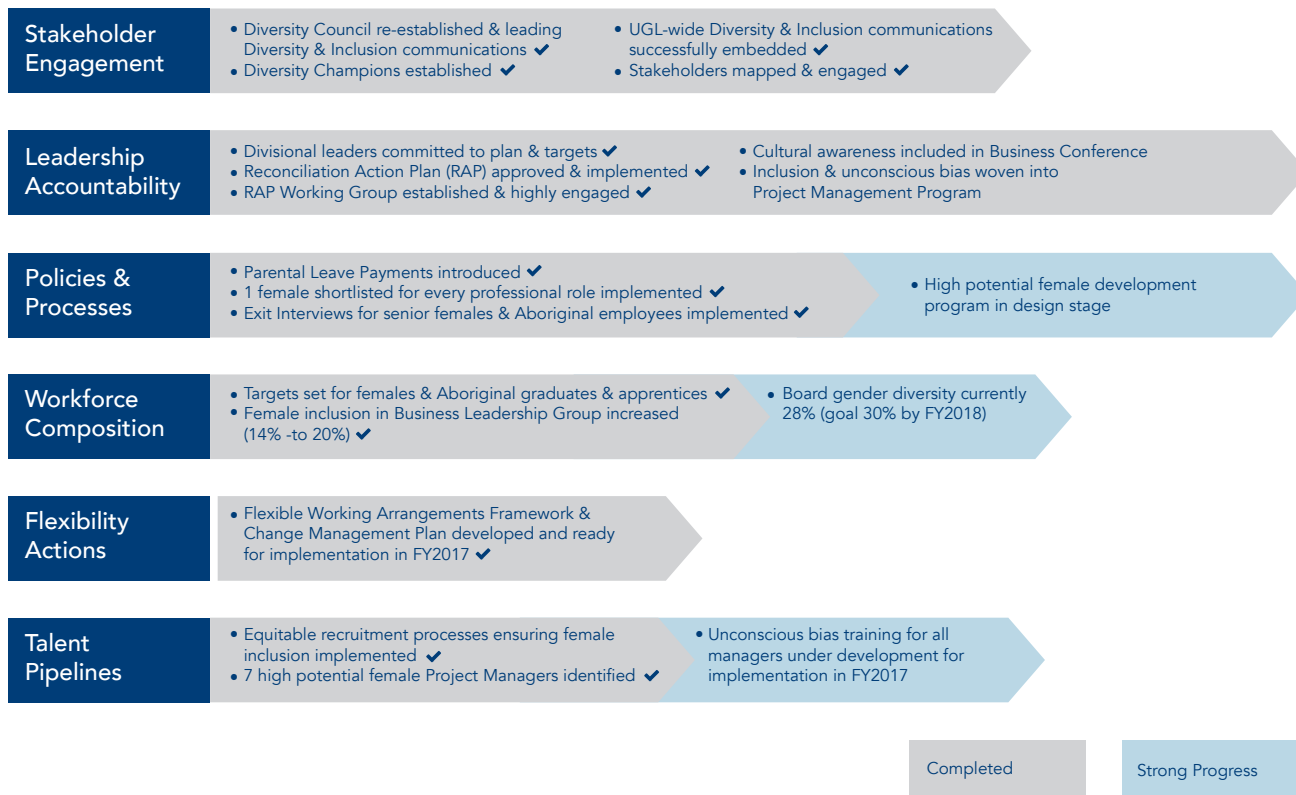
Note: Female participation rates remain highest across the 'Clerical and Administrative' and the 'Professionals' Workplace Gender Equality Agency (WGEA) job categories. Our metrics excludes external employees when measuring gender representation and recruitment. Females recruited are classified as being newly recruited or re-hired by UGL (not transfers or promotions).

7.2 PROGRESS AGAINST STATED MEASURABLE OBJECTIVES FOR THE 2016 FINANCIAL YEAR

The focus during the period has been to set measureable targets aimed at:

- Increasing our female staff members by approximately two percent year-on-year
- Increasing the number of female graduates and apprentices
- Increasing female representation on our Board to at least 30 percent by the 2018 Financial Year
- Increasing Aboriginal and Torres Strait Islander employment to five percent of all Cadets and Graduates, and eight percent of all Apprentices by the 2018 Financial Year.

Below are the six diversity & inclusion strategic plan imperatives with key deliverables achieved during FY2016:



This is a business-critical goal. We believe diversity and inclusion leads to greater levels of innovation through exchange of diverse ideas, opinions and viewpoints; better access to talent; and improved business performance. In addition to the business drivers – diversity and inclusion is simply the right thing to do for our business and our people, our customers and our communities.

We acknowledge that achieving our goal takes time and that there is a way to go. It is with this in mind that we are committed to meeting our targets and driving this important change across our organisation.