



Governance

The Way We Make Decisions

Our Vision

Our Vision is to be the world's premier engineering, construction and project management company by achieving extraordinary results for our customers, building satisfying careers for our colleagues and earning a fair return on the value we deliver. Bechtel has been a leading engineering and construction (E&C) contractor for decades, and our competence, scale, reach, robustness, and diversity of work are notable. Our success has been enabled by our focus on being the "best," rather than simply the "biggest." To be the best requires good governance that supports all aspects of our business.

We define governance as the quality of our decision-making, determined primarily by the quality of leadership and the company culture.

Four Drivers of Governance

Of the four main drivers for effective governance, three are focused on the quality of leadership (selection, accountability, and active management) while the fourth involves our company culture and how it impacts day-to-day decision-making and other behaviors.

Driver #1: Selection of Leaders to be Decision-Makers

Our effectiveness depends heavily on the quality of the people we select to lead the company. Every time we hire or promote someone, we are choosing a person who will need to be accountable, exercise active management, and positively influence the quality of our culture. Given our requirement for a strong talent pipeline, we are focused on high quality recruiting and hiring to bring in the best outside talent to augment our robust internal selection, promotion, and development processes.

Successive levels of management at Bechtel spend significant time in both formal and informal processes to identify, develop, recognize, and reward: (1) leadership talent and competence, and (2) professional-technical expertise. In the process, they also identify, seek to improve, and if necessary, remove personnel not able to deliver sustained performance combined with effective leadership behaviors.

Driver #2: Individual Accountability

At Bechtel, individual accountability is viewed as the single most important element of good decision-making. Everyone, at all levels, is responsible and accountable for the consequences of their decisions. While our policies, management instructions, and organizational roles, responsibilities, and authorities can provide some helpful direction, there is no rule book for when and how individual, accountable decision-makers should consult or seek input from others, and what to do with that input. This means that decision-makers need to consider diversity of input, be open-minded, and actively listen, manage multiple inputs and opinions, and practice humility to prevent hubris, while continuing to move the business forward with timely action.

A key element of individual accountability is the timeliness of decision-making. The ultimate bottom line on decision-making in our culture and structure is that good decisions must be made in a timely manner. No decision in time is also a de-facto decision by omission and often the worst one. So, we need to seek input, listen, and probe, but in all instances, we must make the timely decisions that our positions require and that our business needs demand.

Driver #3: Active Management Practices

Bechtel management is actively engaged in the important details of our work. This active management is a strong part of our culture of accountability, is expected of management at all levels, and has a very powerful influence on our governance. Active management operates hand-in-hand with individual accountability as we expect our decision-makers to have a deep understanding of the matters over which they have responsibility and accountability.

All Bechtel managers, even the most senior executives, are expected to simultaneously:

- Know, and be known to, their people;
- Be reasonably well-versed in important, current details of their operations (including major projects and prospects);
- Understand their markets and have insights into customer, supplier, colleague, and other key project stakeholder needs, and assure that they are satisfied (hopefully exceeded);
- Provide for strategic work process improvement and other long-term needs of their organization as well as Bechtel more broadly; and
- Penetrate as needed into any significant situation to assure the success of their organization.

As long as active managers are constructive and respectful and do not interfere with accountability at lower levels (i.e., do not micromanage), they will contribute to good governance. They will find and fix damage from earlier poor decisions that could become bigger problems, coach colleagues to prevent similar problems, deliver both positive and negative consequences to those who deserve them, and assure that we have the right people with the right values and capabilities in the right jobs making important decisions.

Driver #4: Our Culture

Bechtel's culture is a powerful driver of decision-making behavior and therefore governance. Culture is both a cause and effect for decision-making behavior because each decision is:

- Influenced by attributes the individual brings to it (some of which are shaped partly by the company's culture), and
- A result of our collective behaviors and their consequences, which are critical determinants of the company's culture.

In addition to individual accountability and active management, our culture is shaped by the pride, integrity, leadership behaviors of our people, and our pursuit of performance excellence. These values and behaviors create a culture that respects people, builds trust, and produces a day-to-day drive for excellence in everything we do.

Pride & Motivation

Most Bechtel people possess a strong sense of pride in their individual achievements and contributions to the collective results of the company. This pride is crucial to excellent governance, primarily by timely delivery of positive consequences for good decision-making, especially by active management practices and effective application of recognition and reward. It is critical to remember that personally communicated, timely, positive reinforcement for great work is the most powerful motivator anyone can offer. Pride needs to be complemented, balanced, and restrained by humility in all interpersonal situations. When commitments are involved, pride and confidence must also be balanced by prudence and reality.

Integrity

Bechtel's name is widely respected as a symbol of integrity. We keep promises to each other and in our relationships with others. We follow all applicable laws and regulations. We also follow our own policies, procedures, and processes. Our integrity is at the very core of Bechtel's value-added reputation and culture. Trust, credibility, and integrity are hard to earn and easy to lose.

Leadership Behavior

All leaders are responsible for governance not just in what they say, but more importantly in what they do every day. The "walk" counts more than the "talk." We are all constantly measured against our Vision, Values & Covenants. To the extent that any one of us does not model appropriate behavior or does not live up to these principles, we undermine our culture, collective management credibility, individual credibility, and, ultimately, the effectiveness of our governance. It is incumbent upon each of us to protect this culture and speak up, in an appropriate manner, when we see an action being taken that might undermine it.

Pursuit of Performance Excellence

Most Bechtel colleagues naturally bring to their work a sense of engagement and commitment to performance excellence. For the best, this cultural attribute rises to contagious passion for their work and how to do it better every day. Naturally, our company culture reflects this relentless pursuit of world-class project outcomes and continuous improvement of our work processes. If we are serious about holding ourselves to the highest standards of performance and continuously improving our work processes, we must frequently challenge and debate our definition of excellence. Diversity of perspectives and inputs are highly valued by our best decision-makers as contributing significantly to such debate. Clarity around facts and data, and mutual respect are essential to keep the debate from becoming mired in opinion, overly personalized, and destructive.

How We Deliver Effective Governance

Our long-term success as a culture and company requires that every Bechtel colleague understands and delivers governance in the way we work every day across all projects, businesses, and locations. These expectations are further described in our Vision, Values & Covenants and Bechtel Leadership Model as well as multiple programs and processes that keep us focused on getting results in the right way. Major reference points for our day-to-day governance behaviors are summarized in the table below:

Reference Points for Governance Behavior

Reference Point	Description
<i>Vision, Values & Covenants</i>	Our Vision as well as our aspirations, beliefs and expectations for how we relate to others while accomplishing our vision.
<i>Enterprise Strategy</i>	The Enterprise Strategy defines our core strategic principles together with strategic objectives for the next 3 - 5 years. This together with the Vision, Values and Covenants and complementary market-specific strategies provide context for our annual goal-setting and performance management process.
<i>Bechtel Leadership Model</i>	Description of the qualities of effective leaders, including the three major dimensions of Character, Knowledge, and Action and how the crosscutting themes from the Vision, Values & Covenants and Performance-Based Leadership are incorporated.
<i>Fundamental Agreements</i>	Agreements that pertain to our decision-making and overall governance, including those relating to ownership, business ethics and compliance, project contractual commitments, and employment.
<i>Procedural Framework</i>	Comprehensive suite of policies, management instructions, approval matrices, manuals, and organization charts for control at the profit & loss, functional, service, management, and executive levels.
<i>Human Resources Processes and Programs</i>	Human Resources systems, programs, and processes that every supervisor, manager, and executive is expected to use including: talent selection, leadership development, performance management, and employee incentives and recognition.

Roles, Responsibilities and Accountability

Everyone in Bechtel, including the CEO and executive leadership, is responsible for good governance as it comes from our collective decision-making at all levels. Governance roles involve individuals and, to a lesser extent, groups with varying degrees of accountability and structure. both are described below.

The Role of Individual Colleagues, Supervisors, Managers and Executives

There are four focus areas relating to the roles of individuals in governance:

Focus #1: Commitment to Accountability

We believe that individual accountability is the single most important element for good governance, with a deeper and broader commitment expected from more senior management colleagues. As such, we keep authority and accountability for individual decision-making as linked, complete, and clear as possible.

Focus #2: Initiative and Judgment

Proper exercise of initiative, judgment, and prerogative at each successive level of management is valued, expected, and rewarded. No instruction or guidance from a superior can anticipate the precise situation the decision-maker is facing at the time of decision. Leaders and managers are expected to use good judgment to seek and listen to input, then make, implement, and as necessary, adjust their decisions during implementation.

Focus #3: Subject-matter Expertise

We recognize that good decisions require more than good process. They also depend on engagement to assure good input and good judgment as well as subject-matter expertise or competence. Rank is not to be confused with subject-matter expertise. A decision-maker is expected to see the need for critical expertise and assure that it is obtained, including welcoming expert input. Bechtel colleagues with relevant expertise, regardless of whether they report directly or indirectly to the decision-maker, are expected to make themselves available and apply their expertise effectively to the decision (including being forthright).

Focus #4: Executive Governance

Influence on the quality of decision-making is especially concentrated at the executive level where leaders serve as role models for governance and stewards of Bechtel's business for the benefit of current and future generations.

The Role of Groups in Governance

Groups, such as task forces, working groups, and committees, are important to Bechtel's governance but are carefully managed. If used properly, groups provide a helpful diversity of views and experiences as well as represent the needs and interests of involved organizations with minimal sacrifice of timeliness, efficiency, and accountability. However, if used improperly, groups can: (1) defeat the closure necessary for timely and effective implementation; (2) diffuse, confuse, and erode accountability; and/or (3) add too many objectives or unrelated points of view, rendering decision-making slow, convoluted, and/or bureaucratic. Individual authority and accountability are intended to generally prevail over any argued collective or group authority and accountability, and absent unusual circumstances, individuals are expected to exercise their own vested authority to make the decisions for which they are accountable. Groups provide input and advice and represent the views of stakeholders, but leaders make decisions.

Measuring Governance

Our approach to governance involves a commitment in terms of values and principles, but it is also practical and can be seen in the way we work. This means, our effectiveness can and should be measured as a way of staying focused on the right things.

The principal indicators of governance success are:

- Sustained competitiveness and profitability measured over a medium- to long-term basis; and
- Good, and continually improving performance on non-financial metrics, including customer satisfaction, colleague satisfaction, and the condition of our reputation, culture, safety, and work process quality (primarily project execution processes).

We emphasize the sustained or medium- to long-term trends of these measures, especially for profitability, because any snapshot within a short timeframe may be misleading, subject to market or macroeconomic vagaries and promote counterproductive behavior.

The company's focus should be, and is, on a balanced view between short- and long-term influences on most important decisions. This approach requires that we triage, mitigate, and immediately fix significant short-term problems as well as taking the longer view to assess and improve significant processes important to decision-making quality.