

# Corporate Governance Principles

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*“Do good work, make a profit, enjoy life.”*  
--Jim Howland, one of CH2M HILL's founders

CH2M HILL's approach to governance is founded in our employee ownership culture and our core values:

- *Honesty, integrity, and trust*
- *Commitment to safety, health, and environment*
- *Responsive client focus*
- *Employee focus*
- *Quest for innovation and continuous improvement*
- *Collaborative and enjoyable work environment*
- *Sustainable, long-term growth*
- *Community commitment*
- *Challenging work opportunities and a strong work ethic*
- *Inclusiveness and workforce diversity*

CH2M HILL recognizes the importance of strong corporate governance as a way to achieve industry leadership and to implement the appropriate balance between the objectives and priorities of our employee-shareholders and our important stakeholders – clients, employees, and communities where we work. The CH2M HILL Board of Directors adopted these Governance Principles (Principles) which, together with CH2M HILL's Articles of Incorporation, Bylaws, and charters of individual Board committees, provide a framework for CH2M HILL's corporate governance.

These Principles are subject to annual review by the Board of Directors to determine whether they continue to advance the best interests of CH2M HILL, our employee-shareholders, and other stakeholders, and whether they comply with relevant laws that regulate CH2M HILL's business.

## How Is CH2M HILL Governed?

At CH2M HILL, company governance is led by the Board of Directors, elected by our employee-shareholders. The Board's responsibility is to oversee and guide CH2M HILL's Management Team toward achieving our common objectives of a commercially successful, socially responsible enterprise that maximizes value for our employee-shareholders and delivers outstanding services to our clients, while supporting communities where we live and work. The Board of Directors also has an assurance function that monitors our financial reporting, our ethics and integrity standards, and our regulatory compliance.

Our Management Team, led by the Chief Executive Officer, oversees CH2M HILL's day to day operations, our delivery of services to our clients, and our relationships with external stakeholders, as we continue to expand our footprint in the services we provide and the global markets we serve.

The Board and our Management Team recognize the central role that our employee ownership

culture plays in the growth and evolution of CH2M HILL. We view our employee-ownership as a market place differentiator, where employees and management are motivated not by the next quarter's results, but by long-term sustained growth that comes from innovative solutions, service excellence, and client satisfaction. Our employee-owners are empowered to make the right decisions that make CH2M HILL's business successful.

## Board Mission and Structure

### MISSION AND RESPONSIBILITIES

The Board governs the affairs of CH2M HILL through strategic oversight of management functions and responsible decision making. The Board is focused on the growth in our shareholder value, planning for our future, guiding our complex portfolio risks and our global footprint, and on fostering our reputation for professional excellence and integrity.

## **BOARD COMPOSITION**

The Board includes a productive mix of employee-insiders, who have special knowledge of our business and its risks, and independent (Outside) Directors, who bring fresh perspectives, client insight, and global focus to the Board's deliberations and strategic oversight of the Management Team.

## **BOARD SIZE**

CH2M HILL's Board can include from 7 to 13 Directors, as determined by the Board from time to time, with employee-shareholders holding a majority of the seats on the Board.

## **BOARD MEMBER TERMS**

CH2M HILL has a staggered Board where the Board is divided into classes, with staggered terms so that a term of one class expires at each Annual Shareholders' Meeting. A new class of Directors is elected each year.

In late 2009, with the adoption of the Restated Articles of Incorporation, CH2M HILL shareholders changed the duration of Directors' term from three years to two years. All Directors elected prior to this change, will serve their full three year terms, as elected. All new Directors elected starting in 2010 shall serve a two year term.

## **ADVISORY BOARDS**

In addition to the Board of Directors elected by the shareholders, the Board and/or the Chief Executive Officer can establish special purpose advisory boards that would focus on providing special insight and advice to the Board, the Chief Executive Officer, and CH2M HILL's Management Team on issues of special interest. These advisory boards serve at the pleasure of the Chief Executive Officer and may constitute a development ground for Board succession planning.

## **BOARD MEMBER CONDUCT, ETHICS, AND CONFLICTS**

Members of the CH2M HILL Board of Directors shall, at all times, act in accordance with CH2M HILL's ***Employee Ethics & Business Conduct Principles***, which are applicable to all Directors as well as all CH2M HILL employees and members of the Management Team. The Directors shall adhere to CH2M HILL's policies on conflicts of interest, confidentiality, and ethical conduct in all business and personal dealings.

Directors should always be vigilant about possible conflicts of interest, including anything that can impair (or can be *perceived* as impairing) their objectivity and impartiality in making decisions in the best interest of CH2M HILL. Each Board member shall discuss any questions or concerns about business conduct and ethics, including conflicts, with the Chief Executive Officer, Chairman of the Board, or the Lead Director (see definitions below), and are expected to resign, if such concerns cannot be resolved.

## **Board Leadership**

### **CHAIRMAN OF THE BOARD**

CH2M HILL's Board of Directors is led by a Chairman elected annually by Directors at the first meeting immediately following the Annual Shareholders Meeting that elects new Directors to the Board, or at other times as Directors determine.

### **SEPARATION OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER ROLES**

The Board does not have a policy on separation of the Chairman and Chief Executive Officer roles, and believes that it should be free to make the right decision on this issue based on what is appropriate for CH2M HILL at any point in time.

### **LEAD DIRECTOR**

If the same person holds the roles of the Chairman and the Chief Executive Officer, the Outside Directors annually shall elect the Lead Director from within their ranks. The Lead Director presides at the meetings of Outside Directors, facilitates communication between the Outside Directors and the Chairman, provides input to the Chairman on issues of CH2M HILL's governance and performance, and acts as a liaison to shareholders who wish to communicate with Outside Directors.

### **CHIEF EXECUTIVE OFFICER**

The Chief Executive Officer is appointed by the Board of Directors, serves at the pleasure of the Board and can be removed from the role at any time. The Board evaluates the Chief Executive Officer's performance on an annual basis. The evaluation is based on objective criteria, including performance of the business, accomplishment of strategic objectives, development of the CH2M HILL Management Team, succession planning, and such other criteria as the Board may deem appropriate. The Board may seek input from the CH2M HILL's Management Team in its evaluation of the Chief Executive Officer's performance. The Compensation Committee of

the Board makes its compensation decisions for the Chief Executive Officer based on this performance evaluation. The Chief Executive Officer serves at the pleasure of the Board and the Board may remove him/her from the role at any time.

### **BOARD SUCCESSION PLANNING**

The Governance Committee of the Board works closely with the Chairman, the Lead Director, and the Chief Executive Officer to identify and develop Director candidates, taking into account the existing composition of the Board, the needs and changing priorities of CH2M HILL, and current members' plans for the future. The Board may use, when appropriate, advisory boards as a development ground for future Directors.

### **MANAGEMENT SUCCESSION PLANNING**

Annually, the Chief Executive Officer shall meet with the Outside Directors to discuss Chief Executive Officer succession; actions that the Chief Executive Officer has undertaken during the year to develop an appropriate succession pool of candidates, from inside and outside the company; and succession development plans for the coming year. The Chief Executive Officer shall make succession recommendations to the Outside Directors annually or more often, when appropriate. The Lead Director and the Outside Directors shall have a process for periodically meeting and evaluating executives who are the Chief Executive Officer successor candidates.

From time to time, the Board adopts a continuation of management resolution to address the issues of unexpected emergencies, if the Chairman of the Board or Chief Executive Officer cannot perform his/her duties for any reason. The Continuation of Management Resolution currently in effect is attached as Exhibit A.

## **Board Operations**

### **BOARD MEETING AGENDAS AND MATERIALS**

Board meeting agendas are developed by the Chief Executive Officer in consultation with the Board Chairman (if not the same person) and the Lead Director. All Directors are encouraged to provide input to agenda items as early as possible to allow management adequate time to prepare. Annually, the Board shall define a schedule of major discussion topics for the year.

Board materials necessary to adequately consider issues to be discussed at the Board meeting shall be distributed approximately a week ahead of the Board meeting. The Directors are expected to

review these materials with an understanding that some of the materials are for background purposes to facilitate discussion and will not be discussed at the meeting. Certain highly confidential or time-sensitive materials may not be distributed in advance and shall be only discussed at the meeting.

### **BOARD MEETINGS**

The Board meets four times per year to review strategy and business plans, financial performance of the company, and to focus on audit and compliance issues, mergers and acquisitions (M&A) opportunities, and key project initiatives, as well as to engage in a continuous dialog of management development and succession planning. The Board also may have a retreat (as a separate meeting or as part of a regularly scheduled Board meeting) focused on strategic planning.

All Directors are expected to attend regularly scheduled Board meetings and the Board retreat in person, unless the Chairman of the Board specifically agrees otherwise, and only in extenuating circumstances.

### **MEETINGS OF OUTSIDE DIRECTORS**

Each regularly scheduled Board meeting shall include an executive session of Outside Directors and Chief Executive Officer only, without Inside Directors and representatives of management present. The Outside Directors may meet in executive session during the regularly scheduled Board meeting and at other times at their discretion.

### **DIRECTOR SELECTION AND NOMINATION PROCESS**

#### **■ Nomination of Outside Directors**

The Governance Committee of the Board shall make recommendations to the full Board about Outside Director candidates to be included in the nomination slate. In selecting Outside Director candidates, the Governance Committee shall consider existing Outside Directors' performance, their special expertise and how that expertise fits with the needs of the company at the point in time of nomination. Diversity of backgrounds and experience has always been and shall continue to be an important objective in selection of Outside Directors. Based on this evaluation, the Governance Committee shall determine whether to ask existing Director(s) whose terms are expiring to stand for re-election or to initiate a search for new Outside Directors.

#### ■ Nomination of Employee Directors

The Chief Executive Officer annually appoints a special employee nominating committee that is responsible for the nomination of employee Directors to the Board. This committee shall consist of two employee Directors and three to five employee-shareholders who are not Directors. The Chief Executive Officer shall preside over the meetings of this committee and all nomination deliberations, but shall not have a vote in the final determination of the employee-shareholder Board candidates. The Chief Executive Officer and the employee director nominating committee annually shall seek input from CH2M HILL employees and the Management Team for the nominations of employee Director candidates to the Board and shall make their selections from among those recommended through this input process.

The Chief Executive Officer shall present to the Board the recommendations of the special employee nominating committee, together with the recommendations of the Governance Committee for the Outside Director candidates. The Board shall consider and approve the entire slate of Director nominees to be presented to the shareholders as part of the annual director election process. CH2M HILL's Bylaws outline a procedure that CH2M HILL shareholders can use to nominate directors outside of the process described here.

#### ■ Director Independence

CH2M HILL's Directors are not subject to independence requirements of national stock exchanges, but CH2M HILL believes that Outside Directors should not have any material relationship with CH2M HILL. Each Outside Board member, and any Board Outside Director nominee, shall provide the Governance Committee of the Board with full information regarding his/her business and other relevant relationships with CH2M HILL, our partners, suppliers, affiliates, and clients, to enable the Committee to make an informed determination on each Director's and nominee's independence.

#### ■ Qualifications and Criteria for Board Membership

The Governance Committee of the Board is responsible for periodically reviewing and presenting to the Board the summary of the appropriate skills, industry, professional background, and other characteristics desirable for Directors in the context of the then-current make-up of the Board and the needs of CH2M HILL's business. The employee

shareholders nominating committee, led by the Chief Executive Officer, develops the list of criteria to use in identifying and nominating Inside Directors to the Board. These criteria are attached to these Governance Principles as Exhibit B.

The CH2M HILL Board seeks in its members industry expertise, gender, ethnic, geographic, and background diversity necessary to provide effective oversight for CH2M HILL's long-term strategic development and business success.

#### **RETIREMENT AGE FOR DIRECTORS**

At this time, the Board has adopted no guidelines for Directors' mandatory retirement age.

#### **BOARD COMPENSATION**

CH2M HILL believes that to attract and retain the best outside directors for its Board it must pay market compensation for their services. To create alignment with long-term shareholder interest, the Board believes that a significant part of Outside Directors' compensation should be provided in CH2M HILL stock. From time to time, CH2M HILL and the Compensation Committee of the Board shall assess Board compensation and its structure in relation to peer companies and recommend changes for review and approval by the full Board. Employee Directors serve on the Board without additional compensation.

The Board believes that Directors should be long-term owners, and has adopted a policy requiring each Director (within five years of election and for the duration of the tenure) to hold CH2M HILL equity in the amount equal to at least four times the annual retainer or base salary.

#### **BOARD EVALUATION**

The Board conducts a periodic evaluation of the Board's effectiveness and the effectiveness of each Board committee. The Governance Committee, using an evaluation questionnaire administered by the General Counsel, manages this process. The Governance Committee, the Chairman of the Board, and the Lead Director review the evaluation questionnaires and feedback and use the information to implement improvements in the functioning of the Board and its committees, and to recommend educational programs for the Board to enhance its effectiveness.

#### **BOARD EDUCATION**

The Board education programs and the orientation of new members are directed by the

Governance Committee of the Board and are conducted by CH2M HILL's General Counsel and Chief Accounting Officer, drawing on other members of the Board and CH2M HILL's Management Team as appropriate. From time to time, as a refresher or as new developments require, educational programs are conducted on legal and ethical responsibilities of the Directors; conflicts of interest; general trends in corporate governance; and securities laws of the United States and other jurisdictions where CH2M HILL stock is registered. The new director orientation program may include background and history of the company, the enterprise governance model, CH2M HILL business strategy, business operations, capital structure, and CH2M HILL's employee ownership program.

### **BOARD COMMUNICATIONS AND ACCESS**

Management speaks for CH2M HILL. Individual Directors may, at management's request, meet or communicate with various CH2M HILL stakeholders or others. Communications from the Board, to the extent appropriate, shall come from the Chairman of the Board or Lead Director.

Directors have complete access to any member of CH2M HILL's Management Team and any CH2M HILL employee.

### **Board Committees**

The Board has five standing committees as set forth below and may also establish other committees, from time to time, as it deems necessary and appropriate. Each standing committee operates under a written charter that sets forth the purposes and responsibilities of the committee.

#### **EXECUTIVE COMMITTEE**

This Committee is composed of both Inside and Outside Directors. It is sized and empowered through delegation from the Board to act quickly on behalf of the entire Board in unusual circumstances that so require, between regularly scheduled Board meetings.

#### **AUDIT COMMITTEE**

This Committee is composed of both Inside and Outside Directors, is chaired by an Outside Director, and is primarily responsible for the oversight of the following:

- The quality and integrity of the company's accounting and financial reporting practices and its financial statements and reports as

filed with the security regulators and stakeholders;

- The company's internal controls;
- Qualifications and independence of the company's independent auditors and financial arrangements between the company and the auditors (Outside Directors only);
- The performance of the company's internal audit function;
- The performance of the company's independent auditors (Outside Directors only);
- The company's insurance and bonding programs; and
- The education of Directors on financial and material accounting principles.

The Audit Committee is comprised of Directors with a working familiarity of basic finance and accounting principles.

#### **COMPENSATION COMMITTEE**

This Committee is comprised exclusively of Outside Directors and is primarily responsible for:

- Setting goals for, and evaluating the performance of the Chief Executive Officer;
- Setting the compensation for the Chief Executive Officer based on the Board's evaluation of the Chief Executive Officer's performance;
- Providing input to the Chief Executive Officer on compensation of the company's Management Team;
- Overseeing the company's equity-based benefit plans;
- Managing the succession planning for the Chief Executive Officer; and
- Reviewing and making recommendations to the full Board regarding compensation for the Directors.

#### **GOVERNANCE COMMITTEE**

This Committee is comprised of both Inside and Outside Directors, is chaired by an Inside Director, and is primarily responsible for:

- Directing corporate governance at CH2M HILL, including recommending to the full Board on amendments to these Governance Principles from time to time;
- Assessing and recommending to the full Board candidates for nomination of Outside Directors;
- Providing input to the Chief Executive Officer about Inside Director candidates;
- Overseeing Board succession planning;
- Establishing Board membership criteria and making recommendations to the full Board on

Board composition and the skills necessary to support CH2M HILL's business objectives;

- Overseeing CH2M HILL's compliance with ethics policies, and legal and regulatory requirements;
- Overseeing Board education programs;
- Making recommendations to the Chairman of the Board on Board committee assignments; and
- Establishing Board performance objectives; conducting annual Board evaluations; and recommending, in consultation with the Chairman of the Board and the Lead Director, Board performance improvements.

### **RISK COMMITTEE**

This Committee is comprised of both Inside and Outside Directors, is chaired by an Inside Director, and is primarily responsible for:

- Periodic review of and guidance on enterprise-wide external risks, such as material reputational, labor (talent shortage and management), cost of resources, economic, competitive landscape, and regulatory risks;
- Periodic review of our enterprise risks and lessons learned arising from our project portfolio;
- Periodic review of our risks and opportunities related to availability of capital;
- Review and guidance on our approaches and processes to assess and analyze project and program related risks across the enterprise; and
- Risk evaluation and scenario planning for major disruptive events such as pandemics, anti-U.S. sentiment in our key global markets, government in-sourcing, and other developments, trends or events that could materially impact CH2M HILL's business.

### **COMMITTEE ASSIGNMENTS**

The Chairman of the Board, with input from the Governance Committee of the Board, is responsible for the assignment of Directors to various committees and shall consider the skills and qualifications and interests of each director in making these assignments. The Chairman may also consider the development needs of Inside Directors when making committee assignments.

## **Communicating Concerns to the Board**

### **GENERAL**

Concerns about CH2M HILL practices in general or conduct of the company officers and members of the Management Team can be directed to the Chairman of the Board or to the Lead Director, in care of the General Counsel (if not directly involved in the issue) or directly, in care of the company.

### **FINANCIAL REPORTING**

Concerns about our accounting compliance or our financial reporting can be directed to our Chief Financial Officer (if not directly involved in the issue) or directly to the Chairman of the Board or the Lead Director, in care of the company.

### **ETHICS AND COMPLIANCE WITH LAWS**

Concerns about issues of ethics and compliance with laws and policies should be directed to the CH2M HILL ethics hotline, *The GuideLine* at +1-866-924-4843 (U.S. and Canada) or +1-720-286-4843 (for locations outside North America) or online at [www.ch2m.com/guideline](http://www.ch2m.com/guideline), or to the General Counsel directly.

CH2M HILL's *Employee Ethics & Business Conduct Principles* prohibit any retaliation against anyone who raises concerns in good faith. Concerns can be raised anonymously. The company and the Board of Directors take reports of all concerns very seriously and investigate them fully.

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The Board of Directors directs management to post these Governance Principles on CH2M HILL's web site. The Board solicits comments and suggestions on these principles, which may be directed to the Board of Directors, in care of the General Counsel, at 9191 South Jamaica Street, Englewood, Colorado, 80112-5946, USA.

[Signature on File]

Lee A. McIntire, Chairman of the Board  
April 30, 2010

# Exhibit A

## Continuation of Management Resolution Adopted by the Board on May 6, 2009

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### CH2M HILL COMPANIES, LTD. RESOLUTIONS OF THE BOARD OF DIRECTORS

**Whereas**, the Board of Directors believes that it is in CH2M HILL Companies, Ltd.'s best interest to designate individuals who can step into the roles of the Chief Executive Officer and the Chairman of the Board in the event either is not able to fulfill his duties for a period of time, thus assuring the continuity of management.

\* \* \*

**Now Be It Further Resolved** that the Board of Directors hereby designates William T. Dehn, CH2M HILL, Inc.'s President, to serve as CH2M HILL's acting Chief Executive Officer during any time period when the Chief Executive Officer is unable to fulfill his duties, and to oversee all management and day-to-day operations of the company and have all of the powers and authority granted to the office of the Chief Executive Officer by the CH2M HILL Restated Bylaws, unless this Board of Directors otherwise directs.

## Continuation of Management Resolution Adopted by the Board on November 6, 2009

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### CH2M HILL COMPANIES, LTD. RESOLUTIONS OF THE BOARD OF DIRECTORS

**Whereas**, the Board of Directors believes that it is in CH2M HILL Companies, Ltd.'s best interest for the Chairman of the Board to be an employee director of CH2M HILL;

**Whereas**, the Board of Directors believes that it is in CH2M HILL Companies, Ltd.'s best interest to combine the roles of the Chief Executive Officer and the Chairman at this time;

**Now Be It Resolved**, that the Board of Directors hereby designates Lee McIntire as the Chairman of the Board effective January 1, 2010.

**Now Be It Further Resolved**, that as part of continuation of management planning, the Board designates Jerry D. Geist to serve as the temporary Chairman of the Board during any time when Lee McIntire is unable to fulfill his duties as Chairman.

# Exhibit B

## Criteria for Employee Director Candidates

To be considered as a candidate for a role as a CH2M HILL employee director, the employee must:

1. Have personal ethical characteristics of the highest caliber, consisting of personal and professional ethics, integrity and honesty; respect for and of his/her colleagues.
2. Have proven leadership abilities, including demonstrated teamwork skills.
3. Have experience and capabilities similar to those required of senior corporate officers, including at least 15 years' experience in engineering and construction (E&C) related businesses.
4. Demonstrate consistent emotional stability and maturity in dealing with others.
5. Have a bright, analytical mind; generate productive ideas; and being able to contribute (in the opinion of peers) to Board topics and discussion;
6. Have work ethics that would assure active participation (doing one's homework).
7. Be inquisitive and offers constructive criticism, but is not disruptive.
8. Demonstrate a commitment to safety through personal actions and leadership of others.
9. Have good business sense, be knowledgeable of the E&C industry, and know senior client representatives in the industry.
10. Be actively involved in outside activities (e.g., professional societies, community service, etc.) which add value to the firm.
11. Be policy-oriented and understand corporate governance issues; recognize the Board's role as establishing policy direction rather than operating details.
12. Know CH2M HILL Companies, Ltd., and ideally have worked with a broad cross-section of business units, technical, and/or geographical issues; so that he/she is capable of representing the interests of the entire enterprise in policy and governance issues.
13. Fit the desired make-up of the Board during the elected term, based on current issues facing the Board. General considerations include:
  - a. Including people of diverse backgrounds, experiences, and cultures to provide meaningful input, to broaden the thinking of the Board, and to reflect the diversity of our clients and stakeholders
  - b. Securing a mix of Directors who have had experience in management of global business groups/units, regions and/or major projects
  - c. Balancing new Directors who are current or future leaders, and experienced Directors who have corporate and historical knowledge, to obtain the optimum governance of the enterprise
  - d. Representing emerging business directions the firm must take to remain competitive
  - e. Reflecting other special conditions arising from time to time (e.g. reorganizations, major ownership policy changes), that will dictate special Board skill requirements

# Exhibit C

## Independence Criteria for CH2M HILL Outside Directors

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To be considered “independent” for purposes of selection as an outside member of the CH2M HILL Board of Directors, the candidate must:

1. Not be an employee or an officer of CH2M HILL Companies, Ltd., or any of its subsidiary companies;
2. Receive compensation from CH2M HILL, other than for services as a director, that does not exceed \$200,000 per year;
3. Not be an officer or owner of a business that derives a significant amount of its revenue from CH2M HILL;
4. Not be a member of the immediate family of an officer of CH2M HILL; and
5. Meet any additional independence criteria established, from time to time, by the Board of Directors and the U.S. Securities and Exchange Commission (to the extent such SEC requirements apply to companies like CH2M HILL).

To the extent that additional independence criteria are established by the Board of Directors, such additional criteria shall be disclosed by CH2M HILL as part of the company’s Governance Principles.