

“We moved boldly,
making a well-timed leap
ahead of the upturn.”



**A message from Chairman
and CEO Jacquie Hinman**

Fellow stockholders:

Throughout the past year, we moved to further differentiate CH2M so we are best-positioned as a trusted partner to the clients we serve around the world to win and deliver their projects with distinction. As a professional services firm tackling our clients' toughest infrastructure and natural resource challenges with optimism and imagination, we've always approached our work a bit differently, driven by our purpose to pave the way for human progress. If we zig when others zag or turn a problem upside-down to evaluate it from another angle, it's because we're looking for the most complete solution that returns value to our clients and stakeholders.

In 2016, we conducted a thoughtful, outside-in analysis to determine how we could operate and compete more effectively. We started first and foremost with our unwavering commitment to protect the health and safety of all stakeholders. We launched a global safety campaign where our management team, our employees and I reaffirmed our dedication to Target Zero. There's absolutely nothing more important than the safety of our people.

As a part of our analysis, we reinforced our industry-leading position in sustainability and corporate citizenship. As one of the first firms in our sector to publish a sustainability report about our internal performance, our most significant achievements stem from the work we deliver for our clients. That's why we elevated sustainability and citizenship as an integral part of this Integrated Summary Annual Report and for the first time, we have included aggregate measures of improvement achieved for our top 100 clients, in addition to our internal

achievements. Reflecting our client work delivering sustainable solutions and exemplary citizenship, in 2016 CH2M became the first professional services firm ever to be honored with the World Environment Center Gold Medal Award for global leadership influencing and delivering progressive environmental, social and economic outcomes.

In our competitive assessment, we noted that, like our peers, we weathered difficult economic conditions last year, driven largely by the prolonged effects of depressed oil and gas markets and uncertainty that constrained capital investment. In 2016 we also dealt with additional challenges that pressured our financial performance, including onerous costs from the same two, fixed-price projects that have burdened our performance in recent years.

Executing our strategy required that we were mindful of our 2016 performance as well as the near-term outlook for our industry. The challenges we encountered last year not only inspired us to elevate our best for our clients and stakeholders, but also prompted us to raise the bar competitively by accelerating the transformation we started in 2015. As I described in my letter to you last year, we had initiated strategic changes to bolster our market position and performance. These included refining our business portfolio to focus on repeat business with loyal clients and establishing client-centric sales, account management and operations to serve those clients with greater distinction and across a broader set of their needs, while also increasing our efficiency through shared services for administrative functions.

Client-centric operating model

Our 2016 competitive analysis confirmed that our client-centric approach was working to accelerate sales, create a stronger opportunity pipeline and drive higher margins. We wanted to make the most of this success and saw the opportunity to do so. Yet, we also confirmed there was room for improvement in our internal company governance, decision-making processes and cost structure. We knew this presented an opportunity to operationalize a distinctive strategy, rather than to pursue another efficiency exercise that, in recent years, had become the industry norm.

Considering our position relative to the rest of the consulting, engineering and construction sector — and amidst an improving outlook for our marketplace — in mid-2016 we recognized this as an inflection point from which to lever greater opportunity. So we made a bold, well-timed leap ahead of the upturn in our markets to fully align our operating model to our client-centric strategy.

We simplified our operating model and its associated organizational structure, accountabilities, governance and processes. While we still have some work to do, our competitively distinct new model places clients at the center of everything we do, aligned to the three client sectors we serve: National Governments; State & Local Governments; and Private Sector. With this change, we amplified a simplified and consistent governance model and removed internal silos that perpetuated duplication and inefficiencies in our operations.

Reducing complexity of our former matrix structure provides the firm clearer lines of accountability and streamlined decision-making, which strengthens our governance model and makes us more nimble.

Making such a dramatic change in the way we operate has compelled leaders and employees to think differently about the way we work. It has required patience, and for many, the willingness to take on new roles and responsibilities. To guide these efforts, we established a *Governance Playbook* to articulate unified business processes, responsibilities and protocols, while also underscoring the foundational values of our company.

This is all about making things easier to focus on what's important — our clients and selling and delivering work to them with distinction.

CH2M's Governance Playbook

We did this in a matter of months, now operating in a way that hasn't otherwise been mastered in our industry. We're unlocking productivity and greater growth potential in deeper client relationships, harnessing our full capacity of innovation and technical excellence, while providing our people with greater career opportunities. And already, we're realizing significant efficiencies to improve profitability, as evidenced by our reduction in selling, general and administrative expenses in the fourth quarter of 2016, which overall resulted in a 73-percent improvement in operating income from the prior year.

Full-year results

Our full-year 2016 revenue remained essentially flat year-over-year, at \$5.24 billion. We earned a disappointing \$15 million in net income, or \$0.03 per diluted share. These results do not reflect CH2M's potential, and they mask positive progress we achieved in managing our core business. During 2016 we incurred \$275 million in charges reflecting increased estimates in the costs to complete two design-build, fixed-price contracts signed years ago. One entails a tollway expansion project in Texas, and the other is an engineer-procure-construct (EPC) power plant project in Australia, in a business we've discontinued. Charges for both projects not only negated operating income during the year, but also overshadowed organic revenue growth in our non-construction business. As a result, they offset real improvements we made driving profitable, organic growth momentum in our core business.

We're getting both of these projects behind us. In January 2017, the consortium of companies of which we are a member delivering the EPC power plant project in Australia terminated the contract based on the client's repudiation, or refusal, to fulfill its obligations and administer the contract reasonably and in good faith. The client was a contractor and not a long-term, key client. In light of the contract's termination, we expect a prolonged, multi-year arbitration to follow. But since the contract has been terminated we no longer have to contend with risks of unanticipated project cost increases in completion estimates. Additionally, as the Texas tollway expansion project approaches completion this year, our cost risk exposure will wind down. We're looking forward to getting the project behind us.

As disappointing as those projects have been for us financially, we remain well on track to generate an annual savings of approximately \$100 million in operating costs from our more efficient, client-centric operating model. And judging by the momentum in our sales pipeline and trajectory of wins in recent months, we believe we are gaining the growth advantage we hoped to achieve. We're seeing a pickup in our core business with key clients who accounted for 70 percent of the new contracts we won in 2016. Our top 100 clients presented growth opportunities in new contract awards, while also contributing to our strong and growing pipeline of sales opportunities for 2017 and beyond.

Corporate governance and capital structure

Our management team and the CH2M Board of Directors continue to evaluate the best way to effect a new ownership structure for CH2M to gain access to capital so we can invest in the firm's growth and ensure liquidity for our stockholders. Keep in mind that as owners of CH2M stock, we all will have the opportunity to vote on any such proposed change. While the Board is actively assessing our industry and the status of capital markets, we have not yet taken any definitive actions. Several options remain available to take the firm forward: an initial public offering (IPO) of stock, a merger or an outright sale of the company. Each of these options has the potential to provide shareholders with liquidity while advancing the capability of the company to invest in the future.

We are working hard to execute our strategy to grow the value of our company and position the options for the best interests of CH2M and

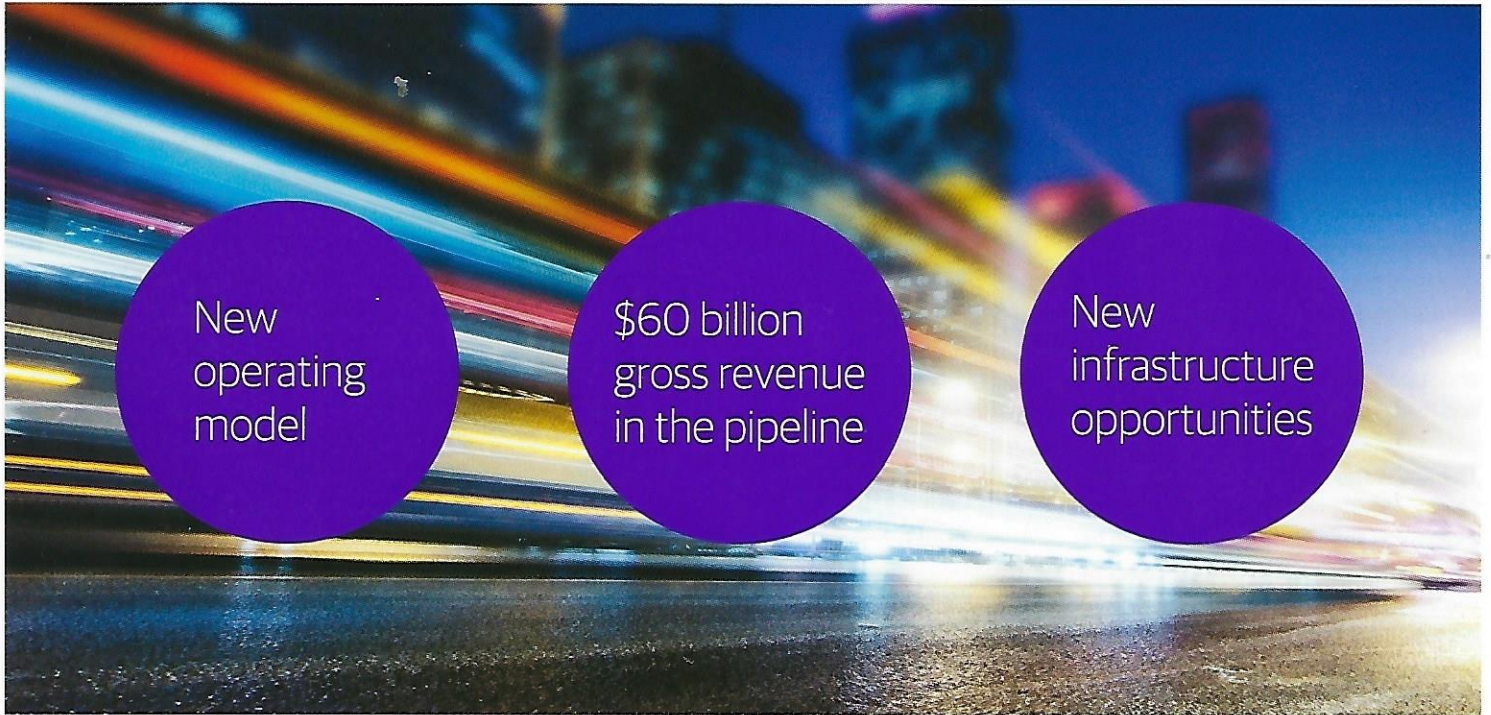
all of our stakeholders. We have tremendous potential, and we have made tremendous progress. I am more optimistic than ever about our ability to recapitalize the company for value creation, particularly in light of the competitive position provided by our new operating model, ahead of the growth expected in our industry and the expectation of stronger capital markets this year.

Market upside for CH2M in 2017 and beyond

The way we are working together on behalf of our clients combined with current market dynamics should serve us well in 2017 and beyond. There are arguably trillions of dollars in projects available globally in our markets: water, environmental, transportation, nuclear, energy, industrial and advanced facilities, and no single company in our sector holds a dominant market share.

As of this writing, we have more than \$60 billion of gross revenue in identified pursuits in our pipeline of sales opportunities, and at the end of the fourth quarter 2016, we had \$8.31 billion in revenue in backlog and stronger gross margin in backlog than we've seen in the past several years, to drive attractive, organic growth.

We remain well-positioned to grow with increased demand for digital solutions in the public and private sectors. The opportunities include both industrial and infrastructure projects, where mobile applications and automation technologies will revolutionize commerce, from driverless fleets to integrated water systems, to an era of adaptively smart cities.



New
operating
model

\$60 billion
gross revenue
in the pipeline

New
infrastructure
opportunities

Technology investment looks especially promising in the United States, where industrial tax credits tied to energy, as well as general tax reform, offer the potential to drive increased development opportunities in the commercial and manufacturing sectors. The driver here remains cheap energy prices.

Later this year and into 2018, we expect to see increased infrastructure and industrial development investments come to fruition. Among these, we're seeing early indications of recovery in world energy markets that would benefit our business in North America and the Middle East, while the outlook in Latin and South America points to modest industrial growth.

In the U.S., the new administration has projected plans to assemble \$1 trillion in public and private funding to improve America's infrastructure. Plans also have been announced to allocate more than \$600 billion for U.S. defense and nuclear programs, which we remain well-positioned to serve.

While we cannot yet estimate the ultimate effects of the 2019 Brexit on our business, we're positive about the strong infrastructure demand and investment we serve in the United Kingdom and Europe. In addition, we're also working on a number of vital urban development programs in Canada, the Middle East and Asia, where we're employing next-generation technologies and approaches to revitalize infrastructure, improve water systems, expand airports and extend rail transit.

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Where we shine

Among many awards, renewals and additional contracts we won with long-term clients in 2016 and early 2017, noteworthy highlights include:

Signature projects delivered

Including completing the third set of locks for the Panama Canal Authority; completing resort-wide infrastructure, detailed design and supervision for Phase 1 of Dubai Parks and Resorts, a world-class theme park and entertainment complex; and managing Thames Water's Lee Tunnel Programme, an engineering feat acknowledged by our industry as the Greatest Contribution to London and the overall Global Project of the Year. Distinctive projects such as these don't come around every day. Part of our strategy is to selectively evaluate and pursue those unique projects that match our risk profile and play to our strengths.

Major project wins

Including being selected to lead the development of the landmark Tuas Water Reclamation Plant for PUB, Singapore's National Water Agency, as well as the region's fifth desalination facility; serving as technical advisor for Kuala Lumpur-Singapore High Speed Rail; a framework agreement with Shell to provide global engineering services; and a number of significant, confidential private-sector contracts, including facility operations and development services for several global industrial companies; and a contract to provide concept design and evaluation services for the world's largest semiconductor production plant in Asia.

Advancing great cities

Including construction management services for the City of Atlanta's Hartsfield-Jackson International Airport; delivering the iconic Dubai Water Canal; expanding London's Heathrow Airport and the Crossrail and High Speed Rail programmes; working with Cisco to advance India's Shendra-Bidkin smart city along the Delhi-Mumbai Industrial Corridor; developing next-generation rapid transit for Toronto's Metrolinx system; addressing water resource issues in Mexico's most populous region with one of the largest wastewater treatment plants in the Americas; and serving as program manager to develop Denver's National Western Center as an international agribusiness hub.

Awards and distinctions

Including recognition from Singapore's national water agency honoring CH2M with its prestigious Watermark Award for leadership in water sustainability; celebrating our ninth consecutive year on Ethisphere's list of the World's Most Ethical Companies; and as mentioned earlier, we are proud to have received the 2016 World Environment Center Gold Medal Award for leadership in sustainability and corporate citizenship.

CH2M's bright future

With our core business portfolio focused on the right strategy, combined with our dynamic operating model, we are well-positioned to fuel profitable, organic growth, achieve solid operating results and command a competitive leadership position differentiated by our purpose and the way we work.


For our amazing employees, we've set the stage for career growth too, providing opportunities to bring bold ideas to the table by thinking differently about the world's most complex engineering, operations and management challenges. Working with our key clients, we are inspired by diverse perspectives and talents that greatly enhance our ability to conceive and deliver imaginative, world-changing, sustainable solutions.

At CH2M, we are driven by making a positive difference — for our clients, employees and stockholders. And more than any other year in our recent history, I expect this one to make the most meaningful difference, paving the way to excellent performance and a stronger capital position.

For everything we accomplished and all we stand to achieve, I want to thank our employees who responded to the call for change with extraordinary inspiration, courage and tenacity. In all my years in this business, I've never been more impressed, nor more proud, than I am of today's employees of CH2M.

On behalf of our entire team, I extend heartfelt appreciation to our extended family of stockholders and stakeholders for your enduring support, allowing CH2M to move onward and upward, to our fullest potential.

Sincerely,



Jacqueline Hinman
Chairman and Chief Executive Officer