

Petrofac Limited

Contact through:
Petrofac Services Limited
4th Floor, 117 Jemyn Street
London, SW1Y 6HH, UK

Tel +44 20 7811 4900
Fax +44 20 7811 4901
www.petrofac.com

23 March 2012

H.E. Ban Ki-moon
Secretary-General
United Nations
New York, NY 10017
USA

Dear Mr Secretary-General,

Thank you for your recent letter. May I confirm that Petrofac has been a signatory to the ten principles of the Global Compact since 2009 and we are therefore committed to integrating these principles into our daily business activities.

We strongly believe in the value of this global network and recognize that a key requirement for participation in the Global Compact is the annual submission of a Communication on Progress (COP) that describes our company's efforts to adopting the principles. We hereby attach our COP and will continue to support the work of the Global Compact.

Yours sincerely



Ayman Asfari
Group Chief Executive

Overview	Our commitment to corporate responsibility	Governance
Review of operations	How we operate	Group financial statements
Financial performance and risk	Managing social and environmental risk	Company financial statements
Corporate responsibility	Our people	
	Keeping people safe	
	Safeguarding the environment	
	Our ethical core	
01		65
22		107
41		153

Section 4

Corporate responsibility

51 **Our commitment to corporate responsibility**

Our success is built on responsible business practices, respect and support for the communities in which we operate.

52 **How we operate**

Petrofac's values, of being safe, ethical, innovative, responsive, quality and cost conscious and driven to deliver, are core to the way we operate.

54 **Managing social and environmental risk**

We aim to be a force for good but realise our activities can have negative impacts. The identification, assessment and management of social and environmental risk is therefore core to our CR strategy.

57 **Our people**

Our ambitious plans for growth require an expanding number of exceptional people across all levels of our business.

60 **Keeping people safe**

Many Petrofac people work in challenging locations, carrying out potentially hazardous activity. Wherever we operate, we aim to provide a safe and secure environment for everyone who comes in contact with our operations.

62 **Safeguarding the environment**

We are committed to protecting the environment and improving our environmental performance: this reflects both responsible corporate behaviour and good business sense.

64 **Our ethical core**

Petrofac is known for its technical capability and track record for delivery. We aim to be equally known for our ethical values and behaviour.

Our commitment to corporate responsibility

Petrofac's success is built on responsible business practices, respect and support for the communities in which we operate.

This responsible approach is manifested in the corporate values that are at the heart of all of our activities, and embedded in the core business systems and processes supporting our global operations.

For a service company like Petrofac, acting responsibly is not only ethical but it makes good business sense. It helps us to:

- build strong relationships with our customers, which we achieve, for example, by employing and training local workforces
- develop trust in our reliability and integrity, which we are reinforcing, for instance, by developing a global compliance network
- manage risks more effectively, as we do with the social and environmental impact assessments that we carry out in all geographies
- establish strong employee engagement, which we can demonstrate by the fact that the 2011 PetroVoices survey of our staff scored us around or above global high performance norms
- create positive impressions with investors – as we hope to have done with the significant improvement in our 2011 Carbon Disclosure Project score

All these factors are good for business, fundamental to obtaining licences to operate around the world, and help deliver better returns for our shareholders.

It is particularly important that a company like Petrofac, which is often a 'guest' in a country for a relatively short period, has a targeted, effective approach to corporate responsibility (CR). As project life cycles may mean we are only in an area for two to three years, we have a short time to make a positive impact.

For a service company like Petrofac, acting responsibly is not only ethical but it makes good business sense.

In recognition of the importance of corporate responsibility and as Petrofac builds on three decades of tremendous growth, we are continuing to develop a more robust approach to CR. For example, in 2011, we developed a new community investment standard and introduced risk screening as a routine part of our due diligence assessment for third-party suppliers. We also began developing more effective systems to measure the value of our approach, as a means of improving what we do, in every area – from environmental protection to community investment.

As we continue to grow, we are determined that the strength and impact of our CR will increase in tandem.



Overview	Our commitment to corporate responsibility	Governance
Review of operations	How we operate	Group financial statements
Financial performance and risk	Managing social and environmental risk	Company financial statements
Corporate responsibility	Our people	
	Keeping people safe	
	Safeguarding the environment	
	Our ethical core	
01	22	65
41	107	153

Corporate responsibility continued

How we operate

Petrofac's values – of being safe, ethical, innovative, responsive, quality and cost conscious and driven to deliver – are core to the way we operate.

Reflecting these values, we manage our business ethically and transparently, in a way that complies with international laws, regulations and best-practice standards. In 2011, we launched a global employee training programme on our new standard for the prevention of bribery and corruption, in line with the UK Bribery Act.

Employing and developing local workers is one of our key differentiators and central to our strategy. In 2011, we reinforced our emphasis on hiring local people, particularly in areas where we intend to establish a long-term presence, such as south-east Asia and Romania.

Employing and developing local workers is one of our key differentiators and central to our strategy.

More widely, as a services business, the quality of Petrofac's human capital is vital to its success. Our ambitious growth plans make this even more fundamental: by 2016, we need to recruit an extra 7,000 highly skilled people. Effective employee recruitment, development and retention are critical to our operations around the world. We are committed to looking after our people and following fair and transparent recruitment and performance management procedures.

Identifying and managing risks

We take the safety of our people and our plant extremely seriously and invest significant resources in identifying and managing the risks they face. In 2011, we again strengthened the processes and systems we use to maintain asset integrity and security. At the same time as we improved our corporate contingency planning, we encouraged our people to take personal responsibility for their own safety by relaunching our global employee safety campaign, Horizon Zero.

Petrofac supports and respects the protection of internationally recognised human rights.

We are committed to protecting the environment and achieving a good environmental performance. We therefore seek to minimise and mitigate any negative impact of our operations, including reducing our environmental footprint. In 2011, we advanced towards a more accurate picture of our total impacts by developing a standardised environmental data collection tool for all our businesses.

Our corporate governance systems and processes are aligned to the International Finance Corporation's respected performance standards,

A new Petrofac training centre in Turkmenistan is delivering essential construction skills and health and safety training to the local workforce.

The facility, in Turkmenistan's third largest city, Mary, in the vast Karakum Desert, is developing staff for Petrofac's South Yoloten contract, for which Petrofac is the EPC contractor for Turkmenigas. The well-equipped centre, which opened in April 2011, has six classrooms and offices and capacity for up to 250 students and 40 staff.

In its first nine months of operation, the centre had trained 906 delegates in such skills as welding, pipe fabricating and erecting, driving, scaffolding, and steel structural fabricating and erecting. In 2012, we plan to increase this number by 1,054.

Petrofac is committed to employing and developing people from communities around its operations. The Mary centre will help meet the Company's pledge to recruit 70% of its Turkmenistan team locally.



peer and customer best practice and to the principles of the UN Global Compact (UNGC). In January 2011, we communicated our progress to the UNGC, which can be found on its website. In order to raise awareness of the UNGC principles, in 2012 we will be developing training for our employees.



Engaging with stakeholders

Petrofac engages actively with local communities from the earliest stage of contract tendering and throughout the lifespan of a project. Our aim is always to create real, long-term opportunities and benefits for our host communities. We establish and maintain effective relationships with interested and affected stakeholders, including investors, analysts, governments, customers and employees.

In 2011, stakeholder engagement activity included one-to-one meetings, presentations, roadshows, community meetings and surveys. As Petrofac grows, we realise that the range and expectations of our stakeholders will widen. We are therefore developing a more strategic approach to stakeholder engagement, enabling us to monitor perceptions more effectively.

Petrofac supports and respects the protection of internationally recognised human rights. This commitment is demonstrated in our Code of Business Conduct, in our ethical, social, regulatory and equal employment opportunities policies, in our promotion of diversity and in our Group community investment and security standards.

In 2011, we carried out a gap analysis of our current human rights compliance, in regard to our employees, to how security is provided for our operations and to our interactions with host communities. We are currently piloting a system to ensure that human rights concerns, including consultation with stakeholders, are factored into the wider social impact and risk assessment process. We will continue to draw on the expertise of Maplecroft, a global risk and strategic consultancy firm, to develop our human rights processes further in 2012.



Above Where possible, we employ and develop local workers.

Left Stakeholders include investors, analysts, governments, customers and employees.

Managing social and environmental risk

Petrofac aims to be a force for good in its operations. We realise, however, that our activities can have negative as well as positive impacts and that, as we grow, the extent of such potential impacts will increase. The identification, assessment and management of social and environmental risk are therefore a core part of our CR strategy.

Managing social risk

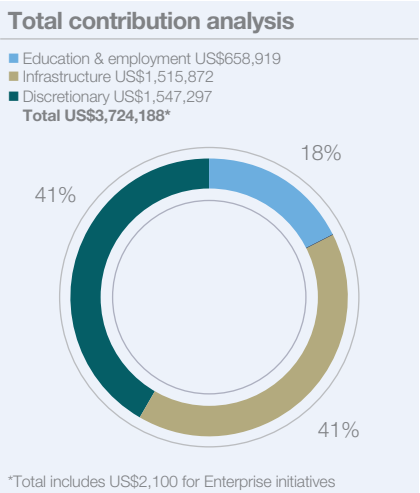
Our community investment strategy spearheads our efforts to protect the Company from social risk. In line with our overall business strategy, we aim to support sustainable economic development in our host countries not only by maintaining effective relationships with our stakeholders and managing the negative impacts of our operations, but also through focused community investment programmes, where we can create additional training and employment opportunities.

In 2011, we made progress in delivering this strategy and aligning community investment in support of our overall business strategy. A key step was the development of the Petrofac Community Investment Standard, which embeds a clear framework for achieving our strategic community investment aims in our core business processes.

Another significant initiative in our management of social risk was our implementation of the London Benchmark Community Investment Tool.

The standard requires all Petrofac businesses to identify and assess the impacts they have on communities, from pre-award throughout the life cycle of a project. In 2011, as described in the case study on the next page, we carried out an initial social and economic assessment immediately after our award of two Production Enhancement Contracts in central Mexico. Following each social impact assessment, Petrofac project plans are developed with the aim of avoiding or mitigating identified risks. This information, complemented by consultation with local communities and stakeholders, is used to develop structured community investment plans as, at the beginning of 2012, we were doing in Tunisia and Romania.

Another significant initiative in our management of social risk was our implementation of the London Benchmark Community Investment Tool. This tool will enable Petrofac to evaluate its overall contribution to the community, taking into account cash, time and in-kind donations and management costs. It will also help record the outputs, and longer term community and business impacts of our community projects. We are harnessing our international network of CR representatives to record each of our specific activities around the world, to help us build up an accurate global picture. The findings will enable us to establish robust key performance indicators to help us measure and improve future performance.



Community investment

Our community investment focuses on three main areas: education and employment, infrastructure, and enterprise. In 2011, the Group donated more than US\$3.7 million to community projects; around 60% of this total was directed to our strategic focus areas, with the remainder being discretionary funding. In 2012 we aim to decrease the amount of discretionary spending and direct community contributions to areas where we can make the greatest impact.

In 2011, community investment included:

- the development of a comprehensive programme to support the community around our Chergui Gas Concession in Tunisia. This includes a significant contribution to employment development schemes and support for targeted projects to create alternative income streams for local fishermen and farmers
- a partnership with the University of Malay to establish a geo-science development centre and to sponsor two MSc/PhD graduates, in support of the Malaysian Government's Economic Transformation Programme

- initiatives in the UK to encourage young people to pursue science and engineering careers. These included Petrofac engineers being involved in sixth-form mentoring programmes and 'science ambassador' school visits and our continued sponsorship of the Royal Academy of Engineering fellowships
- sponsorship of a Sharjah Government public education campaign – 'Your Child, Your Responsibility' – to raise awareness of the need for child car-safety seats

Once again, our people proved generous in raising money for good causes. In the UAE, for example, employees donated US\$88,000 to support humanitarian relief for Somalia.

In 2011, an independent consultancy Corporate Citizenship, reviewed our community activity and benchmarked us against our peers. Having judged that Petrofac is currently in the fourth quartile of our peers, the consultancy suggested we could move to the first quartile if – as we are planning – we improved our KPIs, data gathering and CR reporting. This consultancy subsequently participated in Petrofac's first workshop for our network of CR representatives. Training focused on stakeholder engagement, the community

investment standard and our new investment evaluation tool.

In 2012, we aim to improve the effectiveness of our community investment approach by implementing the standard and complementary training in all our businesses, further training on the London Benchmark Community Investment Tool to improve our data gathering, and developing a social performance toolkit to support our management of social risks and impacts.

Managing environmental risk

The recent history of the oil & gas sector reminds us that our industry has inherently high risk potential. Petrofac is tireless in its efforts to ensure the technical integrity of the plants we design, build and operate, in order to minimise the risk of major accidents, such as fire, explosion and spills.

In 2011, we again improved the robustness of the systems and processes we use to monitor and maintain the safety of our plant. This focus is particularly important as we grow and absorb assets that have not previously been managed by us. Such assets often require intensive assessment, inspection and monitoring until they reach Petrofac standards.

Petrofac is taking careful account of local social needs as we embark on the reactivation and development of two mature oil fields, the Magallanes and Santuario blocks in Tabasco State, Mexico, following the 2011 award of two Production Enhancement Contracts.

As is customary, Petrofac is striving to have a positive impact in the area around our operations in Mexico by creating jobs, boosting community revenues and providing opportunities for local suppliers.

In Tabasco, we conducted an initial assessment of local economic, environmental and social circumstances, which we will follow with a more detailed social impact assessment survey in 2012. This included identifying local stakeholders and beginning a dialogue to explain the nature of the project and, in consultation with the community, considering initial opportunities for investment.

We also ran a workshop for our project team, focusing on Petrofac's sustainability commitments as a signatory of the UN Global Compact. Participants learned how to build effective stakeholder engagement and developed a set of guiding sustainability principles for the operation.

The project requires the deployment of a 150-strong workforce and we are now recruiting in the area, in line with our strategic commitment to local content.



Corporate responsibility continued



Above Petrofac is tireless in its efforts to ensure the technical integrity of the plants we design, build and operate.



Above Our UK Emergency Response Service Centre in Aberdeen offers a 24-hour integrated response capability.

Each of our operations carries out regular asset integrity assessments. These report against around 30 measures covering plant reliability and condition, management of maintenance and assurance activities and organisational matters, such as competence assurance. In 2011, we again improved the metrics we use to help us assess performance and analyse trends better.

Additionally, following the development of a new software tool, we now have a more comprehensive overview of the integrity reviews carried out across all our international projects, from design and build to operations and maintenance. During the year, we conducted detailed audits of five major sites to assess their protection against, and preparedness for, major accidents, as part of a rolling programme of major hazard-prevention visits across all our locations. In addition, Ayman Asfari personally conducted safety focused visits to five operational sites during the year.

Our Asset Integrity Review Board (AIRB), which is co-chaired by our Offshore Projects & Operations Managing Director and our Group Director, Health, Safety, Security, Environment and Integrity Assurance (HSSEIA) continued to meet monthly. The AIRB involves operations managers from all our operated sites.

It provides a forum for peer review and support and helps anticipate potential issues. From 2012, due to Petrofac's international expansion, the AIRB will meet twice monthly, enabling dedicated meetings for both the eastern and western hemispheres.

Engaging employees in asset integrity

We continued to engage all levels of our people in asset integrity. Our annual safety seminar focused on safety leadership and maintaining plant integrity and was again attended by our Group Chief Executive and Group Chief Operating Officer, now President. Our Group Director, HSSEIA led integrity assurance training in our Indian offices and we communicated to the wider Petrofac workforce via roadshows, videos and e-learning.

The application of our Group standard for integrity management, introduced in 2010, was a key focus of all communication. The standard has 12 principles, ranging from audit systems to response procedures, and is mandatory across all our operations.

Petrofac proactively shares best practice with its peers to help reduce risk. We are members of the UK Oil Spill Prevention and Response Advisory Group and support the UK oil & gas industry safety initiative, Step Change in Safety, and its working groups. Our safety expertise offers particular insights: Petrofac Training Services is a leading emergency response trainer and our UK Emergency Response Service Centre in Aberdeen offers a 24-hour integrated response capability.

Our people

Petrofac's ambitious plans for growth require an expanding number of talented people across all levels of our business.

In 2011, we continued to invest significant efforts in ensuring we have a sustainable organisation that will support our growth plans. Our human resources (HR) function, working closely with the business, is focused on the essential task of attracting, developing and retaining the very best people for our business.

Attracting the talent we need

To be prepared for growth, we need a clear picture of the number and type of people required to meet both our short and long-term goals. To help achieve this, we developed a strategic forecasting template for the entire business and developed and implemented staffing plans for new locations, such as Mexico.

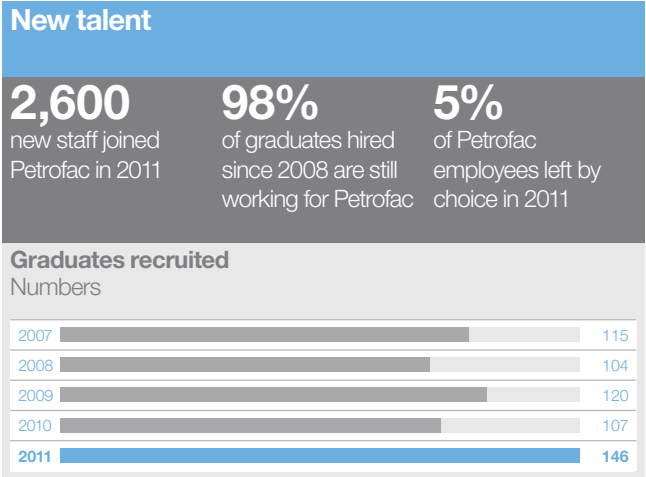
We continue to concentrate on the processes and systems needed to ensure we attract the best talent in a resource-challenged industry.

Petrofac is a diverse business. Our employees represent more than 80 nationalities and, wherever we operate, we aim to recruit and develop local staff. In 2011, we reinforced our emphasis on local content, particularly in areas where we intend to build and maintain a long-term presence, such as south-east Asia and Nigeria.

We work to ensure both men and women have equal opportunities to develop successful careers with Petrofac. We welcomed the Davies Report recommendations on women on boards and committed to develop an inclusion and diversity policy, which will be launched in 2012, and to monitor closely the numbers and development of women in, and entering, the business at all levels, and to act on the findings. We also require recruitment agencies to consider the diversity of candidates when sourcing staff.

We increased our overall headcount by 10%, made several new executive appointments, including a new Chairman and Group CFO, the Chief Executive of our IES division, and our first female Non-executive Director, along with many other important senior hires. Our graduate intake was a third up on 2010.

Our strategy demands strong collaboration across our businesses and geographies. To support this, we are working to improve our global mobility programmes to enable efficient and timely cross-border transfer of staff. The global roll-out of Petrofac's new Oracle system will help introduce more consistent and efficient people management processes and reporting capabilities, particularly around performance management, compensation and learning management.



Overview	Governance	Group financial statements	Company financial statements
Review of operations			
Financial performance and risk			
Corporate responsibility			
Our commitment to corporate responsibility			
How we operate			
Managing social and environmental risk			
Our people			
Keeping people safe			
Safeguarding the environment			
Our ethical core			
01	65	107	153

Corporate responsibility continued

Developing our talent

Developing our people feeds into and strengthens our talent pipeline and, by building employee satisfaction, boosts retention.

In 2011, we placed a strong emphasis on our performance management process to improve continuously the performance of individuals and the organisation by ensuring that the work undertaken by all our people fully contributes to the goals of their teams and the wider business. We ran a performance management training programme across the Group, with separate modules for appraisers and appraisees, in dozens of tailored events. This strong emphasis on performance management will continue into 2012 and beyond.

In 2011, staff at all levels benefited from improved development opportunities. The number of development days increased, company-wide, for both technical and non-technical skills. The ratio of people in the 2011 PetroVoices employee survey who thought Petrofac ‘did a good job of developing people so they can reach their full potential’ rose.

Around 90 people took part in the Company’s Senior Leadership Excellence Programme, run in conjunction with the London Business School. Face-to-face

events in the UK and UAE were supported by individual follow-up sessions to reinforce learning and confirm future development needs. Other programmes are being run or developed across the business.

We are continuously working to ensure our experienced, mature staff coach and mentor engineers and graduates who are just embarking on their careers.

Retaining key staff

Petrofac continuously focuses on ensuring we retain talent in an industry with clear shortages. Placing an ongoing emphasis on improving our people management processes is key, as is listening to our employees. In 2011 we ran our third all-employee survey (PetroVoices). This had its highest ever participation rate and showed clear improvements in all key areas. Localised action plans will be implemented in 2012.

Petrofac is also crafting tailored tools and processes to support and retain specific groups. Graduates, for example, each now have a bespoke progression and development plan, while a social media-style professional development tool is being trialled to meet the communication preferences of younger recruits.

Despite aggressive competition from other employers, attrition remained broadly flat

and the PetroVoices survey showed an increase in the number of respondents who felt the Company ‘did a good job in retaining its most talented people’.

The Company’s growth and recent reorganisation provides the opportunity to develop our workforce in the best way for the business. Petrofac’s HR team, like other core functions, is being systematically developed and strengthened to provide the calibre of operational and functional support our strategic growth ambitions demand.

Our differentiating values

Our strong values are one of the key things that differentiate us: the 2011 PetroVoices survey found that 94% of respondents ‘fully support’ our values, with 89% believing they are ‘solid enough to act on every day’. In 2011, to demonstrate the business benefits our values deliver and to recognise employees who embody them, we launched the Petrofac EVE Awards, which stand for Excellence, Values and Energy. Strong applications were received from around the Group, with 170 individuals and teams going through the regional judging process and 40 entries reaching the final judging stage to determine our finalists and winners. The emphasis our management team places on our values was reinforced by the EVE awards ceremony taking place in conjunction with Petrofac’s annual leadership conference.

Graduate recruitment is crucial to establishing future generations of Petrofac leaders.

In 2011, we increased our efforts to recruit in emerging markets and in regions where we have long-term ambitions.

We targeted more than 40 universities in the Middle East, North Africa, CIS, Asia and the UK to identify promising young people. Our recruitment programme included regular communication with academic institutions, participation in careers fairs, and presentations to faculties and student groups.

As part of a significant internship programme, in collaboration with partner universities, we also offered eight-week placements to a number of undergraduates to allow them to experience Petrofac and to enable us to assess the students as possible recruits.

Following such concerted efforts, during the year we recruited 146 graduates – up a third on 2010 – including our first intakes from Algeria, Kazakhstan, Nigeria and China.



Communications

Effective communication is essential to achieving our business goals. In 2011, we focused on internal communication and engagement, which was particularly important during the transition to our new two-divisional organisation.

Communicating with a dispersed, multi-cultural workforce, many of whom are offline, requires a bespoke and integrated approach. Face-to-face communication is a critical part of the mix and, during the year, we rolled out our Team Talk team briefing tool across Petrofac.

Team Talk was developed and piloted in 2010 in response to demand in the previous year’s PetroVoices employee survey for greater communication between managers and their teams. We are pleased that it has become so quickly embedded that 79% of respondents to our 2011 survey say they now get Company information through face-to-face communication.

Our intranet, PetroNet, is likely to become our primary internal communications channel in the future. In 2011, we developed and redesigned PetroNet to make it more relevant and engaging. The site has been

moved to a new platform, is more accessible and enables greater employee interaction and collaboration. It will be rolled out to our key geographies in early 2012.

During the year, we strove to ensure that all communications, external and internal, convey clear, consistent messages about the Company, its strategic direction and what differentiates us. Internal teams and external advisors participated in our first strategic communications summit; we rearticulated Petrofac’s vision and values; began development work on the Company brand, and revised our tone of voice guidelines. To ensure coherent corporate messaging, communication teams across the business were realigned under the corporate function. Complementing Group-wide channels, the divisions are also developing their own tailored communications, including new internal newsletters.

As well as refreshing our intranet, we worked on the relaunch of our external online presence. Our new website, which launched in February 2012, is more representative of Petrofac’s position as an international company and includes such new features as regional hub sections, with more local content.

In 2011, communications activity supported a programme of major business activity, including the launch of our two-divisional structure, the Company’s Capital Markets Day, the relaunch of our Horizon Zero safety programme and the third PetroVoices employee survey. There was also extensive activity around Petrofac’s 30th anniversary, including a Walk the World challenge that inspired teams of employees to walk a total of 294,000 miles.

The communications team also continued to deliver Petrofacts, our quarterly employee magazine, and again held the Picture Petrofacts employee photography competition, attracting stunning entries from across the business.

Communications recorded the greatest area of improvement in the 2011 PetroVoices employee survey, with 77% of all responses being favourable – 3% above our global high performing norm benchmark. We believe this strong performance reflects the high priority Petrofac managers place on communicating with their people. We are committed to improving further the professionalism, impact and value of all our communications.



Above We work to ensure that both men and women have equal opportunities to develop successful careers with Petrofac.



Above Team Talk team briefing was rolled out across the business in 2011.

Corporate responsibility continued

Keeping people safe

Many Petrofac people work in challenging locations, carrying out potentially hazardous activity while others work in modern offices in major cities. Wherever we operate, we aim to provide a safe and secure environment for everyone who comes in contact with our workplaces and operations.

Our goal is to have no safety lapses at all, an aspiration captured in the name of our Group safety campaign – Horizon Zero.

The campaign aims to unite all our people in a safer way of working through the constant application of Petrofac's eight 'Golden rules of safety'. Engagement channels include workshops, internal magazine articles, an animated video on the requirements of our golden rules and, reflecting the fact that driving is one of the biggest risk areas for our employees, a film focusing on the specific rule of safe driving.

In 2011, we relaunched Horizon Zero – which was first introduced in 2005 – with a new identity, to reflect the changing needs of our increasingly expanding and diverse organisation.

To maintain consistency and improve best practice sharing and learning across the Group, Horizon Zero is now the umbrella for all new and existing Petrofac safety campaigns and plans.



This safe working environment is delivered in partnership with our employees. To complement the action the Group takes to reduce risk, as with our unrelenting focus on maintaining asset integrity, we also encourage our people to play their part. Our Horizon Zero Group-safety campaign, for instance, emphasises each individual's personal responsibility for their own safety and that of their colleagues.

During the year, Petrofac's safety performance, measured according to Occupational Safety and Health Administration rules, showed some significant improvements on 2010. The recordable incident frequency rate was 0.14 per 200,000 man-hours (2010: 0.18)

and our lost time injury frequency rate was 0.018 (2010: 0.026). We had 24 'major potential incidents' (2010: 13). It is important to note that this apparent increase reflects the fact that our man-hours worked almost doubled year-on-year and that the criteria for reporting such incidents is the potential for harm so that, although very few resulted in personal injury or damage, each was reviewed in great detail.

All incidents and accidents are assessed and guidance from lessons learned is widely circulated. In line with our Horizon Zero campaign, our aspiration is to have no incidents of any kind. In 2011, we were pleased that many of the sites we manage achieved this: indeed, certain locations have reported no lost time incidents for

several years. Both the Kittiwake platform and Bacton onshore terminal sites, where we are Duty Holders for Centrica and Eni Hewett, respectively, have been lost time incident free for six years and in 2011 our onshore Asab oil field construction project in Abu Dhabi reached the milestone of 25 million man-hours worked without lost time incident.

Both the Kittiwake platform and Bacton onshore terminal sites have been lost time incident free for six years.

Security

Security was a key focus in 2011, as we continued to work in some volatile regions.

The Petrofac Board had monthly security briefings and we introduced a Group security standard setting out mandatory principles and procedures for all our locations.

We expanded and strengthened our security resource, introducing country security managers in several countries. We also strengthened our systems for assessing and monitoring national security, with systematic security scrutiny now a routine component of risk assessment and management in both new markets and continuing operations.

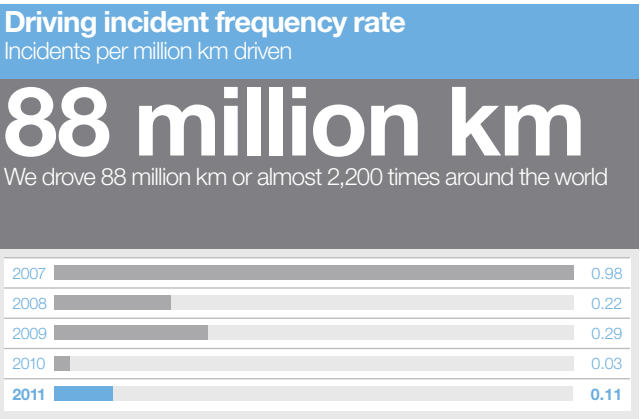
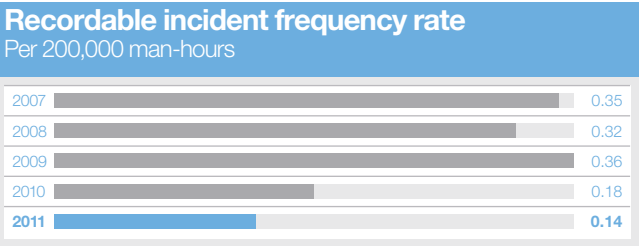
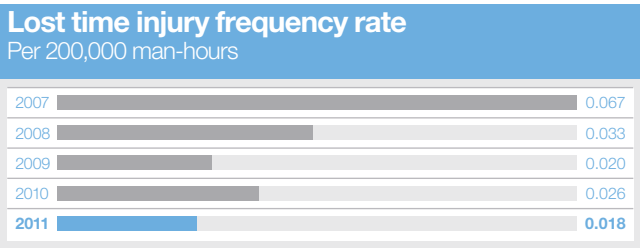
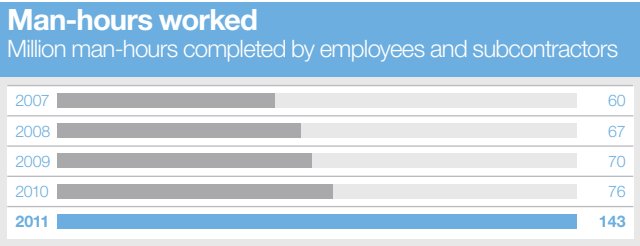
Robust evacuation procedures are in place for sensitive areas of operation. In 2011, employees were evacuated smoothly from two perceived trouble spots.

Employee health and welfare

As a responsible employer, Petrofac aims to promote high standards of staff health and welfare. Senior managers receive health and fitness checks and comprehensive medical assessments are provided for those at risk, particularly if located offshore or in a remote location. Most of our locations have exercise and recreational facilities, and our remote and offshore facilities have on-site medical teams and occupational health support.



Above Many Petrofac people work in challenging locations, carrying out potentially hazardous activities.



Overview	Our commitment to corporate responsibility	Governance	Group financial statements	Company financial statements
Review of operations	How we operate			
Financial performance and risk	Managing social and environmental risk			
Corporate responsibility	Our people			
	Keeping people safe			
	Safeguarding the environment			
	Our ethical core			
01	22	41	65	107
				153

Corporate responsibility continued

Safeguarding the environment

Petrofac is committed to protecting the environment and improving our environmental performance: this reflects both responsible corporate behaviour and good business sense.

Managing the environmental impact of our operations, and engaging our communities and employees in protecting their local areas, helps build positive relationships with customers and the societies in which we operate; controlling energy consumption both limits our carbon footprint and keeps our costs low; and preventing spills and leaks protects oceans and coastline, but also demonstrates the efficiency and reliability of our operations.

Our carbon footprint

In 2011, our operations – including joint venture operations but excluding customer-owned facilities – emitted 227,390 tonnes of CO₂ (2010 revised figure: 214,121). This increase of 6% was due to the expansion of our operations.

Strengthening data measurement systems

During the year, we brought greater consistency to the way we monitor and manage environmental impacts with the development of a new data collection system. This standardises environmental reporting practice across the Group, enabling us to track more accurately our total energy consumption, waste, travel, water-use and air emissions. This will allow us to extend beyond measuring our carbon footprint, to understand better what we can do to reduce our environmental impact.

In 2011, Petrofac recorded 127 incidents worldwide of unplanned releases into the environment, the majority of which, were of relative minor nature and none resulted in fines or penalties. However, one incident which was classified as medium impact

under the Petrofac incident classification standard related to the theft of a section of a small-diameter oil pipeline from the Ticleni field in Romania in February 2011, which resulted in the release of approximately 500 litres of oil to the ground. We track all releases and impacts for internal investigation, to ensure that lessons learned help to prevent future incidents.

A new recycling programme at our Aberdeen offices reduced landfill waste by more than 80% and delivered annual savings of £110,000.

From road cleaning in Romania and cleaning beaches in Sharjah to constructing flora-friendly footpaths in the UK, more than 1,000 of our employees joined with local people to make a difference during Petrofac's November 2011 Environment Month.

Environment Month encourages staff to realise how individual steps, both inside and outside work, can reduce our impact on the environment. This year, appropriately, the theme was 'Be part of the solution'.

Staff, management and contractors from 17 different Group locations, and their families, took part in activities around the world. They were joined by representatives from our customers, environment groups, schools, charities and other groups from Petrofac's host communities.



We appreciate that effective environmental reporting requires not only measurement but also the tracking of progress against agreed targets. In 2011, we worked with our business units to develop targets for improving our environmental performance.

Petrofac's new environment steering group met twice during 2011, with our future environmental strategy a key focus. The group, which includes both senior operations managers and functional environmental heads, led a revision of our environmental policy, helped frame our new data collection system and assessed peer performance as a means of setting future goals and standards.

We once again shared our carbon generation data with the worldwide Carbon Disclosure Project (CDP) and were pleased to achieve an increased rating, rising from 36 to 53 out of a possible score of 100. This takes us into the CDP's midrange category, which it classifies as demonstrating 'increased understanding

and measurement of company-specific risks and opportunities related to climate change'. We continued to participate in the UK Government's Carbon Reduction Commitment Energy Efficiency Scheme and are actively looking for opportunities to improve our performance in this area.

We also continued to measure emissions for our customers, as well as for our operations, including providing extensive monitoring under the Oslo-Paris Convention environmental management requirements and the European Environmental Emissions Monitoring System.

Reducing environmental impacts

We acted further to control waste and carbon emissions and improve energy efficiency. A new recycling programme at our Aberdeen offices reduced landfill waste by more than 80% and delivered annual savings of £110,000. The scheme involves removing all waste bins and installing fixed recycling points in all departments, as well as the innovative option of providing

employees with compost for their home gardens made from their composted office waste. The programme, which won a 2011 Petrofac EVE (Excellence, Values, Energy) award, is being rolled out to other Group locations. In another successful initiative, a programme to improve the energy efficiency of our office buildings led to a 16% reduction in energy consumption at our Sharjah office tower.

Our fourth Planet Petrofac Environment Month again engaged employees and local people in practical steps to enhance their surroundings.

In further partnership with our communities, we maintained our membership of the international Arab Forum for Environment and Development and worked closely with the Emirates Environmental Group.

Going forward, we will continue to strengthen the robustness and transparency of our reporting and the consistency of the Group's environmental processes to improve our performance further.



Above A poster from our new recycling campaign in Aberdeen.

