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27 March 2014

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

Dear Mr Secretary-General,

Petrofac has been a signatory to the ten principles of the Global Compact since 2009 and 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

Corporate responsibility

53 Living up to our core values

As a safe, ethical and responsive business that is driven to deliver.

54 Safety, asset integrity and security

Nothing is more important to Petrofac than safety – from our people, customers and the communities we work in, to the integrity of the assets and facilities we build, maintain and run.

57 Ethics

'Ethical' is one of the six Petrofac values. Our Code of Conduct sets out the standards we insist upon. Everyone who works for and with Petrofac is expected to uphold the Code – and to Speak Up if they become aware of any breaches.

58 People and resourcing

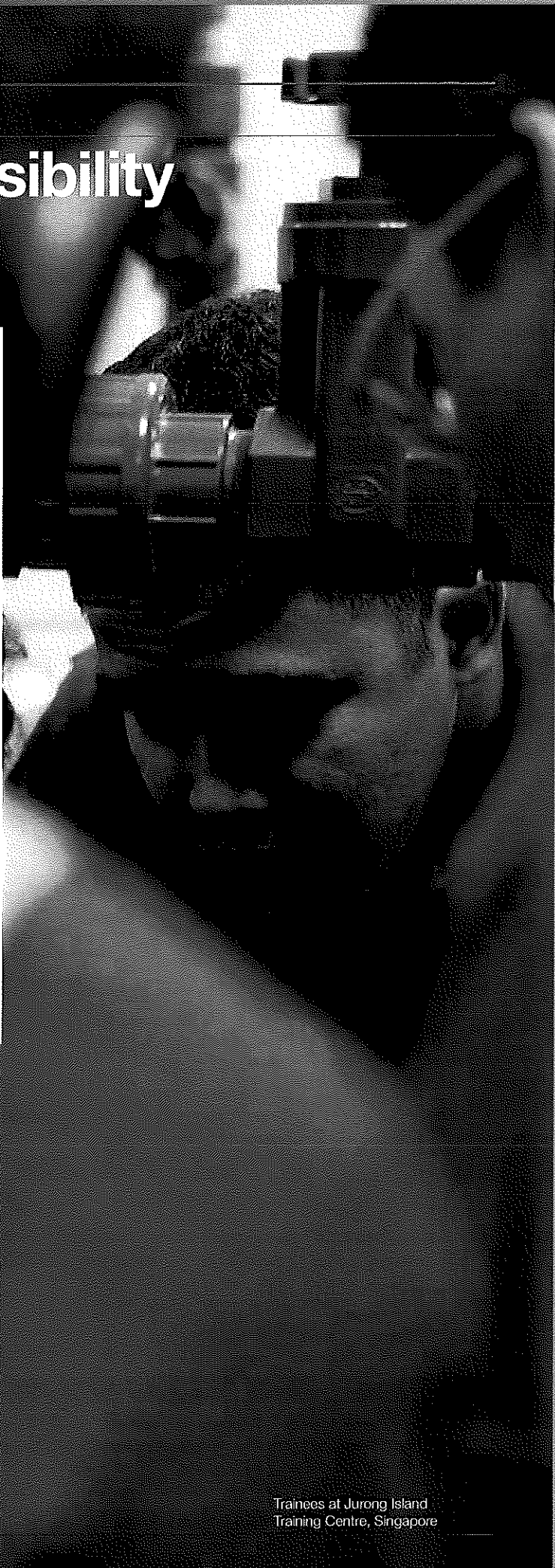
Our ambitious growth plans require us to have the right people in the right places at the right time.

62 Social performance

We seek to manage the impacts (both positive and negative) our business may have on the communities where we operate – thereby reducing risk and creating value for the Company.

64 Environmental protection

We are committed to understanding and minimising the environmental impact of our global operations.



Trainees at Jurong Island
Training Centre, Singapore

Corporate responsibility continued

Safety, asset integrity and security

Nothing is more important to Petrofac than safety – from our people, customers and the communities we work in, to the integrity of the assets and facilities we build, maintain and run.

Safety, asset integrity and security are fundamental disciplines for Petrofac.

They matter to our people, our customers, our suppliers and our wider stakeholders. They are evidence of our relentless focus on operational excellence. They also help us to sustain our unique, delivery-focused culture.

Despite an impressive performance across much of the Group, we were concerned by an increase in reported incidents in 2013 – including three fatalities.

The range of well-established health, safety, security, environment and integrity assurance (HSSEIA) disciplines, combined with the new initiatives launched in 2013 and the improvements planned for 2014 and beyond, demonstrate that we remain fully committed to the safety agenda – and are determined to learn from the lessons of the past year.

Meanwhile, we continue to refine our asset integrity programme, which includes systematic scrutiny and monthly reporting across all of our operations.

'Safe' – a core Petrofac value

Reflecting on our safety performance

Across Petrofac, our aspiration is for zero safety incidents – as reflected in the name of our Horizon Zero global safety campaign.

We are proud to say that, much of the time, we live up to this goal.

At the Kittiwake platform in the North Sea, for example, we have operated for eight years without a single Lost Time Incident (LTI). During 2013, we also celebrated 10 million LTI-free man-hours at both the Cendor Field Development project in Malaysia and the Kuwait Oil Company's effluent water injection project – a project that received a Gold Award in the Engineering and Construction category of the American Society of Safety Engineers-Gulf Cooperation Council HSE Excellence Awards.

Sadly, these achievements were overshadowed by three deaths. In Turkmenistan one person died in a vehicle accident and another in a lifting accident. The third fatality took place in Algeria as the result of a fall. Each incident was investigated and reviewed by senior management and, separately, by the Board.

We also experienced an increase in the number of what we term 'High Potential incidents' (HiPos), that is to say, incidents that could have resulted in a fatality or serious injury had the situation been slightly different. Compared with 2012, the number of HiPos was up by 8%. However, it should be noted that we have increased our emphasis on reporting incidents based on their potential, as opposed to their actual outcome.

A large proportion of HiPos took place at our Mexican and Romanian locations, where we have taken over the operation of existing facilities. By focusing on operational excellence and embedding the Petrofac values, we aim to improve their respective safety records. Other incidents were experienced in Turkmenistan and Algeria during the final stages of projects. Again, each of these HiPo cases was fully investigated, and the lessons learned have been shared across the Group.

Our overall safety performance for 2013, measured according to US Occupational Safety and Health Administration (OSHA) rules, was as follows:

- ⇒ our recordable incident frequency rate was 0.14 per 200,000 man-hours. Whilst this represents a slight increase on 2012 when the corresponding rate was 0.13, it does, however, remain well below the industry norms of 0.35 (as extrapolated from the figures published by the International Association of Oil and Gas Producers)
- ⇒ our lost time incident (LTI) frequency rate was 0.046 per 200,000 man-hours. Although this represents an increase on 2012, when the corresponding rate was 0.018, it also remains well below the industry benchmark of 0.10 (again extrapolated from figures published by the International Association of Oil and Gas Producers)
- ⇒ our driving incident frequency rate was 0.02 per million kilometres driven. This was an area of focus for 2013 and the performance was a significant improvement on 2012 – when the corresponding rate was 0.11

Launching immediate counter-measures

Any deterioration in our safety performance runs counter to the Petrofac values and our unique delivery-focused culture.

An immediate analysis of the reported incidents in 2013 revealed that most root causes lay in the areas of Control of Work, Lifting Operations, Work at Height and Energy Isolation. Our immediate response in each case was to raise awareness of the event and the related risks and to develop local control measures. Also, the trends seen in 2013 are being addressed in our Group-wide 2014 Safety Improvement Plan and the continuing development of our Golden Rules of Safety.

We also focused on these incidents and trends at our annual safety conference in Dubai. Around 130 senior leaders from across the Group attended, including our Chairman, the Group Chief Executive and the Managing Directors of all service lines. The event focused on three key topics – root cause analysis, lessons learned (see below), and lifting safety.

Strengthening our safety culture

We have found that one of the most effective ways of improving our safety culture is to share knowledge and lessons learned across the Group.

With this in mind, 2013 saw the launch of our Lessons Learned tool – an online portal that is used to capture and share real-life experiences.

Easily accessible to Petrofac employees, Lessons Learned includes a wealth of safety information, alerts around specific incidents or areas of concern, plus training videos, and our Golden Rules of Safety video. We also use the tool to capture and communicate lessons and experiences from other companies and projects in our industry. In the five months following its launch, around 100 lessons were shared.

Corporate responsibility continued

A rigorous, consistent process

Every month, each of our operating assets is obliged to report against a range of key performance indicators, comprising:

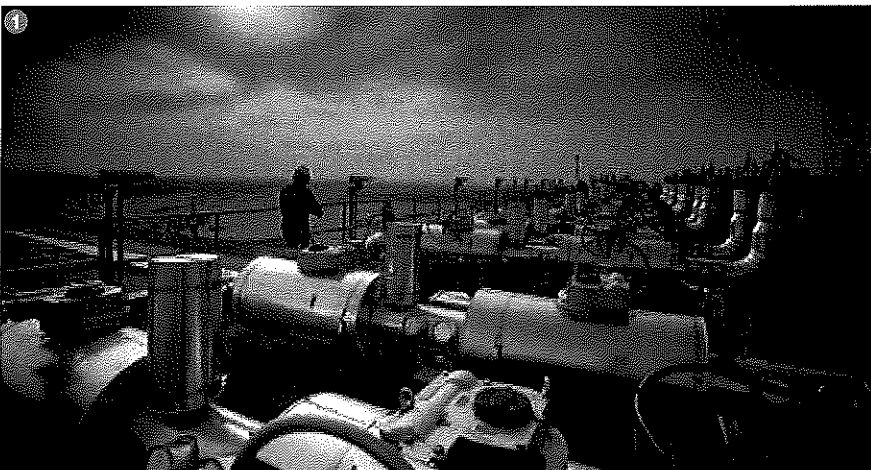
- ⇒ lagging indicators – relating to the actual condition of our assets and the performance of our related activities (such as the numbers of temporary repairs under management and the level of maintenance backlog)
- ⇒ leading indicators – relating to our performance in maintaining robust risk controls (such as the completion of actions arising from integrity assurance reviews and status of competency assessment programmes)

Drawing on this data, an asset integrity dashboard is published each month and is distributed among more than 100 people across the Group.

Additionally, our Asset Integrity Review Board, comprising senior representatives from each of our operating assets, meets monthly. Beyond peer reviewing and experience sharing, their role is to:

- ⇒ understand the sources of integrity risk and take actions to manage them effectively
- ⇒ maintain appropriate standards which prevent and mitigate risks
- ⇒ openly report on integrity management performance
- ⇒ promote a culture in which all employees are committed to asset integrity

1. Many people work in remote locations across the world



A full programme of asset integrity reviews

During 2013, a total of 16 comprehensive asset integrity reviews were conducted on our operating assets. In these, subject matter experts who are independent of operations assess the level of compliance with our asset integrity standards. They also conduct a thorough review of the physical condition of each asset.

Opportunities for further improvements

For 2014, the focus will be to identify opportunities for refinements or improvements to our Asset Integrity Framework. This will include:

- ⇒ updating the Asset Integrity Standard to provide more specific operational guidance
- ⇒ building on our work in the UK by developing a Group-wide hydrocarbon leak reduction training package
- ⇒ implementing a revised Technical Authority Framework and associated process to support those people who operate our assets and manage high hazard risks

Security – protecting our people and assets

Petrofac's security team works closely with the business to protect our people and assets and to ensure that our operations proceed smoothly. This becomes more important as we enter new territories and work in more challenging social and political environments.

Putting our security and evacuation procedures to the test

In January 2013, we were asked to evacuate our people from the In Salah gas plant in Algeria. This was a precautionary measure following the terrorist attack on the nearby In Amenas gas plant.

At very short notice, three teams were mobilised – on-site in Algeria, in Sharjah and in London. In a period of just 72 hours, they overcame the numerous challenges involved and safely evacuated 400 people.

Learnings from this experience have also been incorporated into our security and evacuation procedures.

Improved intelligence gathering and analysis

During 2013 we enhanced our intelligence capability, by strengthening the team with a wider range of more specialised skills. This has improved the way that we gather and analyse intelligence on security issues, particularly in higher risk countries in the Middle East and North Africa. Similarly, we have stepped up intelligence and information sharing with other companies in the oil and gas sector.

Tightening our everyday processes

We continuously review, evaluate and evolve our security processes, to reflect the changing nature of the environments in which we operate. For example, as part of the pre-investment in our bids, thorough security risk assessments are carried out on all high risk territories or projects.

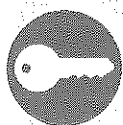
We have also consolidated and strengthened our positions in new and challenging territories like Iraq, Mexico and Nigeria.

Meanwhile, our ongoing security activity includes:

- ⇒ regular briefings to the Board Risk Committee
- ⇒ weekly travel security and country updates
- ⇒ 24-hour emergency support

Corporate responsibility continued

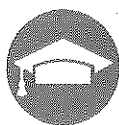
People and resourcing



2,700

new staff joined
Petrofac in 2013

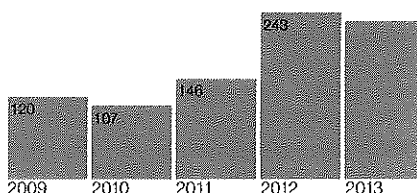
6%

Percentage of Petrofac
employees left by choice in 2013

90%

of graduates hired since 2010 are
still working for PetrofacNumber of
graduates recruited

230

**Our ambitious growth plans require us to have the right people in the right places at the right time.**

Our strategy of continued geographic expansion, increased offshore activity and the growth of our Integrated Energy Services (IES) business requires us to attract and retain more people.

Indeed, over the coming five years, we expect our workforce to grow to around 25,000. Allowing for anticipated attrition, this will require us to recruit around 15,000 new employees.

In a steadily growing global industry facing a definite skills shortage, this will be a significant undertaking. The Petrofac HR team are therefore working closely with the business to ensure that we meet this organisational challenge.

It is more than just recruiting extra people.

We also need to deliver in more challenging geographies. We need to build local delivery capability. To achieve real sustainability, we need to build the leadership talent pipeline beyond our current senior executives.

In order to retain sought after skills, we also need to ensure that the interests and aspirations of our people are closely aligned with those of the business. And, to sustain our unique delivery-focused culture, we need all of our people to commit to our values.

A business focused HR strategy

The Petrofac HR strategy is a reflection of our wider business strategy and we intend to:

- **organise** ourselves to achieve the Company's growth ambitions and recognise the need for local delivery
- **integrate** our HR services and draw on best practice to improve our performance and manage our costs
- **secure** the right quantity and quality of skills to deliver on the Company's growth plans, in our traditional markets as well as in new disciplines and geographies
- **fill the gap** between highly experienced people approaching retirement age and younger, less experienced employees
- **implement** a robust talent management process in order to maintain and grow our leadership teams

A new performance management system

In 2013 a new performance management process was introduced across all of our service lines and locations.

This provides a standardised way of setting objectives and conducting mid-year reviews and year-end appraisals. It ensures that all of our people understand what is expected of them in terms of their contribution to service line and Company-wide success – whilst also recognising the Petrofac values and the role they play in our unique delivery-focused culture.

By the end of the year, 10,000 people had been trained in the new process, and over 85% of all employee objectives had been set using the new scorecard. The results of the 2013 PetroVoices employee survey (see below) suggest that this renewed emphasis on performance management is widely acknowledged.

In mid 2014, following the first full year of its operation, we will conduct a thorough review of the process and refine it accordingly.

As we upgrade our internal IT systems, we will provide online access to complete the process.

A disciplined talent management methodology

The global oil and gas industry faces a significant skills shortage. Our Group-wide talent management programme aims to address this challenge by developing and retaining our own employees thereby reducing our reliance on external recruitment.

As part of our disciplined approach to business and capacity planning, we therefore place real emphasis on talent management and succession planning.

As well as onboarding new employees, our HR team and line managers work together to identify those people whose retention is most important to the business. Our focus extends well beyond leaders and potential leaders. We also consider those people with hard-to-replace organisational knowledge, relationships and technical expertise. And we look at how best to capture and disseminate the skills and knowledge of our more experienced employees.

Corporate responsibility continued



1. Control room in the engine room of FPSO Berantai, offshore Malaysia

2. At the Galkynysh gas plant in Turkmenistan

Recruiting a new generation of homegrown Petrofac talent

To meet our growth plans, Petrofac recruits continuously and systematically.

In the past we were heavily reliant on identifying and securing skills and expertise from outside the organisation. In the future, we aim to be recognised as a business that excels at growing its own talent. And this emphasis on personal and professional development is one of the ways in which we aim to attract a significant number of new employees.

In 2013, the total number of employees and long-term contractors increased by around 2% to reach 18,300. Meanwhile voluntary staff

attrition levels (measured in terms of those leaving the Company by choice) remained at acceptable levels, with turnover of less than 6%.

To support our ongoing recruitment needs, we introduced a range of new initiatives. These include:

Establishing a compelling 'Employee Value Proposition'

To achieve our growth ambitions we need Petrofac to present itself as an attractive employer that meets the immediate needs and future aspirations of potential recruits.

Through formal research, we set out to discover what it is about our business that motivates people to join us and remain with the Company. Initially, we spoke to engineers in our key geographies of Africa, Malaysia, Mexico, the Middle East and the UK. Drawing on these findings, we developed an 'employee value proposition' around the principles of growing opportunities, diverse experience and responsible ambition.

This will enable us to develop a common approach across all of our recruitment collateral and advertising.

Redesigning our recruitment systems

In 2013 we implemented a consistent, automated recruitment and application tracking system to support and enhance the experience of potential and future employees.

This includes a 'new hires portal', which allows recruits to access and exchange information regarding their new position and accelerates the onboarding process. By the year-end, the system had been rolled out across most of the Group. It will be implemented in our remaining operations during 2014.

An emphasis on local delivery

An important source of differentiation for Petrofac is our focus on local delivery.

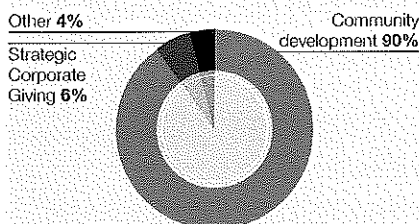
Recruiting and training local staff and working with local partners helps us enter new markets and cements long-term relationships with governments and national oil companies. It also enables us to work more cost-effectively and grow our global capability.

In Mexico for example, 90% of employees at our new operations are Mexican, and many work within their own home state. At the height of our work on Turkmenistan's Galkynysh gas field processing facility, we partnered with 60 contractors involving more

Corporate responsibility continued

Social performance

Our social investment programmes



Community development

Initiatives that target neighbouring and/or impacted communities in our areas of operation; that are designed to create benefits for these groups over and above the benefits available through standard project and operational expenditure; and that assist these groups in meeting their development priorities.

Strategic Corporate Giving

Philanthropic initiatives which have altruistic aims, but which nevertheless contribute to Petrofac's overall reputation and brand. Such initiatives are typically implemented at a national or regional level and are managed by corporate centres of country head offices. Matched giving is also part of Petrofac's strategic corporate giving.

Other

Sponsorship refers to support provided by Petrofac businesses to an event, activity or organisation (typically relating to our business, the arts, sport, or entertainment) in return for brand recognition and enhancement.

We seek to manage the impacts (both positive and negative) our business may have on the communities where we operate – thereby reducing risk and creating value for the Company.

As our business strategy takes us into new geographies, and we embark on longer-term contracts, we are becoming ever more disciplined in understanding, planning and managing our social performance.

Our Social Performance Framework – which incorporates our Ethical, Social and Regulatory Policy and our Social Performance Standard – was established in 2012. This Standard sets out the minimum requirements for managing social impacts where Petrofac has direct

accountability or is contractually required to manage them. It is supported by a set of best practice guidance notes, covering social assessment, stakeholder engagement, land acquisition and involuntary resettlement, and managing grievances.

In 2013 we developed additional guidance on social investment and began to develop a guidance note on cultural heritage.

During the year, we incorporated socio-economic factors, such as potential for conflict with local communities and risks to community health and safety into our Enterprise Risk Management System. These issues are now evaluated alongside other risk categories as a core part of our risk review process.

Implementing our Social Performance Framework

Our Social Performance Standard is being implemented in Tunisia and Mexico and introduced in Romania, where Petrofac is directly accountable for managing social impacts. In 2013 we continued to roll-out related activities in each of these countries, including the provision of training to locally-based staff and awareness sessions amongst senior management. Specialist teams also worked with our operating centres in India, the Middle East and the UK to implement relevant aspects of the Social Performance Framework, including our strategic corporate giving activities.

The Social Performance Framework requires us to assess the potential short and long-term impact of our activities by identifying key risks that we might encounter throughout the asset's life cycle relating to social, health, environmental, economic and cultural matters. We develop strategies to manage or mitigate these risks appropriately. A key aspect of conducting an assessment involves engagement with affected communities, relevant government agencies, international organisations and locally-based NGOs as appropriate.

In Mexico, for example, we completed detailed socio-economic baseline assessments for the Pánuco and Arenque contracts which we began to operate in 2013, building on similar exercises conducted in 2012 for our contracts in Tabasco State. All our Mexico operations now have community development plans in place. Based on similar assessments, we have also developed social performance plans in Tunisia and Romania.

In 2014, we will continue to develop our local capability in this area through recruitment and training and will introduce an internal assurance process to monitor compliance with the Social Performance Standard and to identify areas requiring additional capability development and support. We believe that this provides a consistent approach to managing socio-economic issues effectively and maintaining our social licence to operate.

Our social investment programmes

Petrofac's social investment expenditure in local communities totalled US\$4,702,942 in 2013 up from US\$1,006,617 in 2012.

This included community development, and strategic corporate giving initiatives.

The year-on-year increase was mainly due to substantial community development programmes being implemented in Mexico and Tunisia. It also includes a total of US\$2.63 million for the 2013 operating costs for our training facilities, which have been established in Abu Dhabi and Algeria.

➤ **Algeria** – our training centre, located in Hassi-Messaoud in Algeria, was established in 2010. It was created to train and qualify young Algerians in five disciplines and has since provided training to around 700 trainees.

➤ **Abu Dhabi** – Petrofac is designing and building the training pilot plants for the Abu Dhabi National Oil Company (ADNOC) Training Institute (ATI). The training facility will provide specialist skills in oil and gas facility operations. As part of the design and build of the training pilot plants, Petrofac will develop the operating and maintenance procedures, training scenarios, curriculum materials and provide familiarisation training to ADNOC & ADMA nominated trainers. The training centre is due to be completed in 2014.

➤ **Mexico** – we completed our initial community development programmes for our concessions in Tabasco State, providing support for schools, community centres, environmental awareness and community safety initiatives.

In consultation with our partner PEMEX and the local communities, we have now defined a long-term development programme for Tabasco focusing on health, education, livelihoods and conservation, and have established partnerships with local organisations to implement projects in each of these areas (see case study).

Corporate responsibility continued

Environmental protection

We are committed to understanding and minimising the environmental impact of our global operations.

Petrofac has always been aware of the environmental implications of its business and, over the past several years, we have introduced progressively stricter controls.

As we enter new geographies and more remote locations, environmental protection becomes an even more important management consideration.

A disciplined approach to data collection and assurance

In 2013 we worked harder to ensure that the entire Petrofac Group has a complete and consistent understanding of its environmental impact. We have therefore been refining our data management systems to ensure that each service line has a clear understanding of the standards under which they are expected to operate.

With regards to our greenhouse gas emissions we are fully compliant with the requirements of the UK Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 (which the Company has complied with on a voluntary basis). In 2013, we commissioned Ricardo-AEA a qualified independent party to assure and validate our greenhouse gas emissions data collection processes.

To provide an accurate estimate, we have adopted the following principles:

- ⇒ Our emissions data is calculated in line with the principles of the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard produced by the World Resources Institute and the World Business Council for Sustainable Development – a globally recognised standard.
- ⇒ Greenhouse gas emissions and our corporate carbon footprint report are based on:
 - for fuels and electricity use – emission factors from the UK Department for the Environment, Food and Rural Affairs (DEFRA)
 - for gas flaring – The American Petroleum Institute's SANGA methodology
- ⇒ For those operations that are jointly owned, we use an equity share approach to account for emissions.
- ⇒ Those operations that are wholly controlled by third parties are excluded from our reporting.

⇒ All Petrofac operational sites are included in this report (with the exception of our three new Nigerian sites, which were excluded as they had not commenced operations).

In addition to greenhouse gas emissions data, we collect data on the waste that leaves our facilities, which is typically segregated, measured and reported by category.

As well as calculating our own emissions, we also monitor and report on air emission data to our clients for the facilities we manage on their behalf. In the case of our North Sea operations, our monitoring meets the stringent standards of the Oslo-Paris Convention. In accordance with the European Environmental Emissions Monitoring System, we measure:

- ⇒ all discharges of hydrocarbons, heavy metal and radiation contamination
- ⇒ all air emissions of sulphur dioxide, nitrogen oxides, and volatile organic carbons

Our environmental data collection and analysis enables us to monitor and improve on our energy use and waste management, which helps to minimise our related environmental impact. It is also made available to various stakeholders to demonstrate that we comply with all related requirements, and show that Petrofac is fully committed to environmental protection.

Following its review, Ricardo-AEA concluded that we have made good progress in calculating our carbon footprint and have set up credible processes for collating data and calculating emissions.

Our emissions performance

We have seen an increase in our carbon footprint from past years. We attribute a significant portion of the increase in emissions to the addition of the Berantai and West Desaru FPSOs. Our operations, including our share of joint ventures but excluding customer-owned facilities, emitted 284,636 tonnes of CO₂e in 2013, up from 201,675 tonnes of CO₂e in 2012. These are direct emissions (scope 1: 253,101 tCO₂e and scope 2: 31,534 tCO₂e).

The Carbon Disclosure Project (CDP) provides a global disclosure system for companies to report their environmental impacts and strategies in respect of Greenhouse Gas Emissions. Petrofac continues to support the CDP and we received an improved score for 2013, achieving a rate of 77 for disclosure and band B for

performance. Given that more than half of reporting companies are rated in band C or lower, it is clear that Petrofac is outperforming many of our peers.

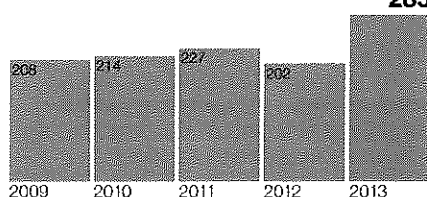
In 2013 we again participated in the UK Government's CRC Energy Efficiency Scheme. We are registered for Phase 2 of this scheme, and our UK-based assets complied with all of the related criteria.

In 2013 we reported on a small number of environmental incidents:

- ⇒ Fifteen incidents of hydrocarbons spilled to land. Four of these were classified as minor (involving less than 10 litres). The remaining 11 were classified as medium and involved spillages of between 10 and 600 litres.
- ⇒ Two incidents of hydrocarbons released to water. One of these was classified as minor (involving less than 10 litres). The other incident, which involved one of our subcontractor's vehicles and took place at the Sfax Ferry Terminal in Tunisia, resulted in a spillage of around 38,800 litres of condensate, which dispersed naturally (this was classified as major).

Tonnes of carbon emissions generated

284,636 tCO₂e



As a condition of the mandatory reporting requirement of the Companies Act 2006, Petrofac must report its emissions in its annual report against an intensity metric that is representative of its business activities. The intensity ratio for 2013 is 44.97 tCO₂e per million US\$ revenue. We have chosen to use 'tonnes/million US\$ revenue' as this metric is the most representative across the entire business.



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Petrofac locations participated in Environment Month