

# A safe, ethical, responsive business that is driven to deliver



Good engineers have consummate technical ability, but great engineers are also aware of the political, social and economic environment in which they work. A disciplined approach to corporate responsibility is therefore an important competitive strength for Petrofac.”

**Ayman Asfari**  
Group Chief Executive



## What matters most to our stakeholders

### Petrofac materiality matrix and issues for 2015

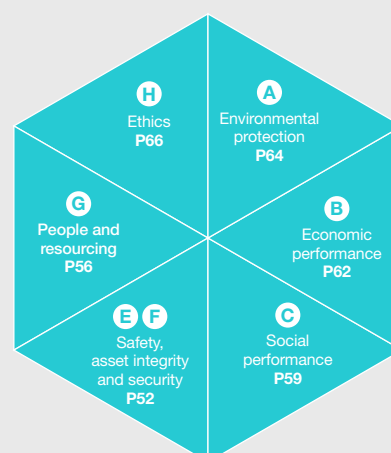
Over the past few years we have engaged with a range of internal and external stakeholders to identify the corporate responsibility (CR) issues that are most relevant to our business. In 2015, we repositioned some of these issues based on further stakeholder feedback during the year.

Importance to external stakeholders	Importance to Petrofac		
	Low	Medium	High
High	<b>D.</b> Occupational health	<b>A.</b> Environmental management <b>B.</b> Political risk <b>C.</b> Human rights <b>H.</b> Trade sanctions <b>H.</b> Revenue and tax transparency <b>C.</b> Worker welfare	<b>A.</b> Environmental incidents <b>B.</b> In-country value <b>B.</b> Supplier and contractor mgmt <b>E.</b> Major accidents/process safety <b>E.</b> Worker safety/ fatalities <b>E.</b> Contractor safety and management <b>F.</b> Emergency preparedness <b>G.</b> Diversity and equality <b>H.</b> Bribery and corruption <b>H.</b> Ethical conduct <b>H.</b> Governance
Medium	<b>B.</b> Joint venture management <b>A.</b> Water management <b>A.</b> Waste management <b>A.</b> Materials <b>A.</b> Biodiversity/habitat protection <b>D.</b> Well-being and stress management <b>D.</b> Disease prevention	<b>A.</b> Energy and climate change <b>A.</b> Legacy soil contamination <b>C.</b> Indigenous populations <b>C.</b> Land acquisition and resettlement <b>C.</b> Social investment (community investment)	<b>C.</b> Social licence to operate <b>C.</b> Industrial relations disputes <b>F.</b> Security risks <b>G.</b> Learning and development <b>G.</b> Succession and career planning <b>H.</b> Whistleblowing
Low			<b>C.</b> Employee volunteering <b>G.</b> Employee retention <b>G.</b> Employee recruitment

**Key**  
● Changed position    ● Same position as 2014    ● Emerging issue

### How we report:

Information on the issues listed can be found in the sections shown below.



**Key: Issues by group**  
**A** Environmental protection  
**B** Economic performance  
**C** Social performance  
**D** Health  
**E** Safety  
**F** Security  
**G** People and resourcing  
**H** Ethics

In 2016, we will also increase the quality and volume of CR reporting at [www.petrofac.com](http://www.petrofac.com)



**At Petrofac, we believe that sustained commercial success and a commitment to corporate responsibility (CR) go hand-in-hand. More specifically, we see that our CR capability helps us to:**

- **Maintain strong employee engagement**
- **Build productive relationships**
- **Bid for challenging projects**
- **Optimise the performance of our assets**
- **Manage our risks**

During 2015, we continued to formalise our approach to CR, with more rigour and improved reporting standards.

#### **Progressively raising our reporting standards**

To bring more discipline to our CR programmes, we continue to work towards the Global Reporting Initiative (GRI) G4 guidelines.

As a commonly used framework for reporting on social, environmental and governance matters, the GRI guidelines help us to:

- Identify and address the material issues that matter the most to our stakeholders – including investors, clients, staff and NGOs
- Prioritise areas for improvement and track our progress over time
- Benchmark our performance against our peers

In 2016, we will also increase the quality and volume of CR reporting at [www.petrofac.com](http://www.petrofac.com).

#### **Understanding what matters most to our stakeholders**

For the past few years, we have worked to develop our reporting in line with stakeholder and investor expectations.

The process dates back to 2012 when, working with representatives from across our business, we identified those CR topics we believed to be most relevant.

In subsequent years, we conducted a series of in-depth interviews with several of our most important stakeholders (including clients, suppliers, investors, NGOs, government representatives and industry associations). These enabled us to validate our initial assumptions and understand changing expectations. In 2015, we continued the process.

For example, we engaged with several external stakeholders in the Middle East, enabling us to understand those issues that are most relevant in our key geographies. We also engaged with a number of large institutional investors to understand more fully the views of large shareholders.



At Hassi Messaoud training facility, more than 850 Algerians have been trained since 2010. See page 63 for more information.

Based on this work, we have developed an authoritative 'materiality matrix'. To give us a balanced view and take account of changing stakeholder attitudes, this is updated on an annual basis. It is used by the Leadership Team and the Board to inform our management approach to CR. It is also used by the wider business to help improve the quality of our CR programmes and feed through to our reporting.

#### **Improving our performance and providing a fuller picture**

We also conducted a benchmarking and good practice review of our 2014 Annual Report and Accounts. In this, we compared our CR reporting with the reporting from several of our peers, and identified several opportunities for improvement.

Drawing on this analysis, we will continue to raise our standards. For example, we have refined our reporting around social performance, ethics and environmental performance.

## Safety, asset integrity and security

**Safety, asset integrity and security are fundamental disciplines for Petrofac – enabling us to protect our people, our clients and the communities we work in, as well as the assets we design, build, operate and maintain.**

As we shift the emphasis of our business, and undertake the construction phase of many large new projects, we are taking steps to maintain our safety performance. We continue to enhance our well-established programme of health, safety, security, environment and integrity assurance (HSSEIA) measures.

### '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 do live up to this goal – and, in 2015, we were able to recognise several encouraging developments.

Despite a busier year for Petrofac (when the number of man-hours worked increased by almost 60% to 183 million), we nonetheless achieved a reduction in High Potential (HiPos) and Lost Time Incidents (LTI). And, across many of our operations, we have now gone a considerable length of time without a single LTI reported.

#### Total man-hours worked (million)

Million man-hours completed by employees and subcontractors

160	2013
115	2014
183	2015

#### Lost time frequency rate

per 200,000 man-hours

0.046	2013
0.044	2014
0.019	2015

#### Recordable incident frequency rate

per 200,000 man-hours

0.14	2013
0.16	2014
0.16	2015

#### Driving incident frequency rate

incidents per million kilometres driven

0.02	2013
0.58	2014
0.34	2015

Highlights include:

- 20 million LTI-free man-hours and the Best Contractor Safety Initiative award at the Upper Zakum, UZ750 field development in Abu Dhabi
- 28 million LTI-free man-hours across all of our Offshore Projects & Operations (OPO) projects across Middle East, North Africa and the Commonwealth of Independent States
- 15.5 million LTI-free man-hours and an HSSE award for the second consecutive year at the Kuwait Oil Company (KOC) Pipelines project
- 8 million LTI-free man-hours at the Satah Al Razboot package (SARB3) project off the coast of Abu Dhabi
- 5 million LTI-free man-hours at the Sohar refinery project in Oman
- 9 years without a single LTI at the Point of Ayr Gas Terminal in the UK
- 5 million LTI-free man-hours at the Gdansk shipyards in Poland
- 1 million LTI-free man-hours on the Berantai operations in Malaysia
- 4 years without a single LTI for Petrofac Training Services

In terms of our actual performance, an important measure is what we term HiPos, or incidents that could have resulted in a fatality or serious injury had the situation been slightly different. Compared with 2014, the number of HiPos recorded reduced from 77 to 58.

We measure our wider safety performance according to the US Occupational Safety and Health Administration (OSHA) rules. In every category, the results were encouraging:

- Our recordable incident frequency rate remained level at 0.16 per 200,000 man-hours. This is well below the industry norm of 0.31 (as extrapolated from the figures published by the International Association of Oil and Gas Producers).
- Our LTI frequency rate was 0.019 per 200,000 man-hours, compared with a rate of 0.044 in 2014. Again, this compares well with the industry norm of 0.072 (as extrapolated from the International Association of Oil and Gas Producers figures).
- The driving incident frequency rate was 0.34 per million kilometres driven. This is down from a rate of 0.58\* in 2014. In January 2016 the International Association of Oil and Gas Producers published a report of vehicle accident rates in the oil and gas industry. Petrofac is currently reviewing this data to establish if this can be used as an appropriate external performance benchmark.

We are pleased to report that, for the second consecutive year, no fatalities were recorded at any of our operations.

\* A calculation error in the 2014 Annual Report and Accounts resulted in the vehicle accident rate being quoted per 200,000 kms rather than the correct and stated per 1,000,000 kms. The figure of 0.58 is correct on the per million kilometres basis.

## During the year we established and began to implement a new Control of Work Standard, which covers construction, maintenance, demolition, remediation and other such aspects of safety control.

### Strengthening our safety culture

When a company enjoys a good safety record, complacency can sometimes set in. Throughout 2015, we therefore sought to maintain a strong safety culture and to prepare the Company for a progressive increase in the number of man-hours due to be worked in 2016 and beyond.

For example, the executive leadership team and the Board shifted the focus of our internal safety reporting from LTIs to HiPos. The intention was to emphasise those 'near misses' that could have had the most serious consequences. In each case, we provide details on the circumstances, the mitigating actions and the lessons learned.

In a similar spirit, we added three new leading indicators to our safety reporting, namely:

- The number of leadership visits to site
- The extent of active monitoring of safety on site
- The effectiveness of closing-out actions intended to improve safety at site

Experience suggests that these measures can have a direct impact on our safety performance. So, by routinely monitoring and reporting on them, we can become more proactive in our approach.

Meanwhile, in gearing up for a progressive increase in construction projects, our OEC business ran a Safety Seven campaign, comprising seven key initiatives intended to contribute to its safety performance – namely contractor management initiatives such as: our Contractor Safety Forum; our HSE Boot Camp training programme; Supervisor Competency Assessments; our Stop, Think, Evaluate, Perform (STEP) programme; our Short Service Employee (SSE) programme; the roll-out of HSE Management software; and the implementation of the Petrofac Assurance Index (PAI) system.



The Petrofac delegation, including Andy Nickerson (HSSE Director of our OEC service line) and Mohamed Shanan (Project Director of KOC Pipelines), receives the award from the KOC CEO, Hashem S. Hashem.

### Making our Golden Rules of Safety accessible and understandable

Our analysis reveals that, in more than 75% of our reported HiPos in 2015, the root cause is a failure to observe our Golden Rules of Safety. As in previous years, we therefore worked hard to raise awareness of these Rules and their importance. For example:

- We continued to roll-out our Golden Rules of Safety e-learning package. Using clear illustrations and graphics, this clearly articulates the Rules and our expectation that they should always be followed. By the end of 2015, this had been completed by 880 employees.
- We sought to make the Rules more accessible and understandable to all onsite personnel, irrespective of their native language or level of literacy. Using vivid pictograms, we created a suite of materials, including posters, reference cards and pictorial learning guides.



**Confined space entry**



**Management of change**



**Ground disturbance**



**Lifting operations**



**Energy isolation**



**Permit to work**



**Driving safely**



**Working at heights**

### Keeping our entire policy framework relevant and consistent

During 2015, we conducted a root and branch review and refresh of our entire Health, Safety, Security and the Environment (HSSE) Framework, covering each of its constituent policy documents, namely:

- Health and Safety Policy
- Environmental Policy
- Security Policy
- Asset Integrity Policy

For each of these, we ensured the content was up to date, compliant with current regulatory requirements, and consistent. The new Framework is due for roll-out in 2016.

We also established and began to implement a new Control of Work Standard, which covers construction, maintenance, demolition, remediation and other such aspects of safety control.



### Empowering our most senior people to lead by example

When it comes to safety, we expect all of our senior executives to lead by example. For example, during 2015:

- We continued to emphasise the importance of site visits by senior managers, and the opportunity for them to reinforce the importance of safety to onsite personnel. Again, the frequency of such visits has become a safety performance indicator for all of our sites.
- We once again held our annual safety conference attended by 130 of our most senior leaders, including our Group Chief Executive and all Service Line Managing Directors. The theme was emergency response and the event included a live crisis management exercise.

### Extending our commitment to our suppliers and partners

All Petrofac safety policies and procedures apply equally to our suppliers and partners as well as our own employees. To underline this principle, we held our second annual Contractor Safety Forum in Sharjah in 2015.

Following the success of the inaugural event, we scaled up the Forum. It was open to contractors from across our business, and we also invited several of our clients, bringing the total delegate numbers to almost 200. The key aim of the event was to develop a statement with three clear safety actions for all the companies present to take away and implement. The statement was then signed by each company to demonstrate their commitment.

### Sharing best practice across the industry

We continue to share expertise across the industry by collaborating with our peers. For example, we remain an active member of the UK Oil Response Forum, and the Step Change in Safety initiative, including its Asset Integrity Steering Group, the Helicopter Safety Steering Group, and the Behavioural Safety Workgroup.

### Asset integrity – fundamental to our business

At Petrofac, we design, build and operate assets that are safe, reliable and meet or exceed their specified purpose. Key to this is our Asset Integrity Framework, which enables us to take a structured and consistent approach to integrity across all Petrofac operations. This Framework comprises:

- Our Asset Integrity Management Policy
- Our Asset Integrity Standard, comprising the 12 Elements of Asset Integrity
- Related guidance documents and a toolkit of supporting processes
- Audit programmes to assure compliance and continuous improvement

Across the Group, we are responsible for managing and assuring the integrity of 21 operating assets, and we seek to apply the underlying principles across all of our operations.

In 2015 we continued to tighten up our everyday processes. A particular focus for 2016 will be on the changes we anticipate in the coming years, when several assets may be divested, and several others may come under our control, while key personnel and roles and responsibility changes are likely. Experience suggests that, during times of change, attention to asset integrity can suffer. So, we are working proactively to protect our performance by taking action that keeps a focus on asset integrity, and ensures that the valuable activities developed over recent years are maintained and further enhanced.

### A rigorous, consistent process

Every month, each of our 21 operating assets is obliged to report against 20 key performance indicators, which are derived from the UK Health and Safety Executive's guidance on Developing Process Safety Indicators. These comprise:

- Lagging indicators – relating to the physical condition of our assets and the status of their respective maintenance programmes
- Leading indicators – relating to the quality of our management processes and the degree of compliance with our Asset Integrity Management Policy

Drawing on this data, an asset integrity dashboard is published monthly and distributed to more than 100 people across the Group. Additionally, our Asset Integrity Review Board, consisting of senior representatives from each operating asset, holds monthly teleconferences to review performance, discuss integrity issues and receive challenge and support from their counterparts.

### Working quickly to address integrity issues

During 2015 we received an Improvement Notice from the UK Health and Safety Executive regarding the Kittiwake Platform in the UK North Sea. This related to the failure of small-bore gas tubing due to a combination of vibration and fatigue. Following completion of an action plan, we had complied fully with the requirements by early November, and actively shared the learnings among our design teams as well as our operating teams across the Petrofac Group.

### Seeking continuous improvement

We seek continuously to improve our approach to asset management. Enhancements in 2015 included:

- **Updating our Asset Integrity Management Policy** – as part of a wider review of our HSSE Framework
- **Implementing a Tank Survey Programme** – performing a systematic review of the 180 storage tanks that Petrofac operates across the world and establishing improvement programmes

- **Conducting a series of audits across our portfolio of assets** – including
  - Milestone audits, to assure the integrity of projects through engineering and construction
  - Operations phase integrity reviews, to assure control of hazards and safe operating performance
  - Hull integrity audits of all our marine assets
- **Establishing an improved understanding of well integrity** – across all our high consequence wells
- **Implementing our new Group-wide Asset Integrity e-learning package** – which, by the end of 2015, had been completed by more than 2,000 technical employees
- **Improving consistency across the Group via new standards and guidance documents** – including issue of Technical Due Diligence Guidance, Operations in Projects Guidance, Pressure Systems Repair Guidance, Technical Authority Standard, and development of new Management of Change and Control of Work Standards
- **Conducting monthly project asset integrity status reporting** – together with successes and lessons learned shared across all major projects

Plans for 2016 include:

- **Implementing a Pipeline Survey Programme** – to follow-up on the success of 2015's Tank Survey Programme
- **Revisiting learning from previous incidents** – and refreshing awareness and vigilance in attention to asset integrity hazards in all areas of our work

### Security – protecting our people and assets

Petrofac's security team works closely with the business to protect our people and assets and ensure that our operations proceed smoothly. In 2015 we continued to enhance our already robust security management systems, reflecting the volatile social and political environments in which we work.

#### Implementing a stronger security focus in the Middle East and North Africa

During 2015, dedicated security specialists were assigned to our North African projects, and our security teams became more closely involved with our operations across the Middle East.

With a stronger regional focus, our security teams have become better informed and more responsive in our core markets. They are also able to engage more closely with our project teams – from the very early stages of business development through to bidding and delivery.

#### Appointing more local security managers

In IES, we implemented a security localisation programme, including the appointment of local country security managers in Malaysia, Mexico and Tunisia. As well as providing effective security support, the provision of employment opportunities helps us to maintain productive relationships with the communities in which we operate.

#### Making technical improvements to our security systems

A focus for 2015 was to improve the quality of our threat assessments, taking better account of the diversity in the size and duration of our respective projects. As part of this process, we introduced new access control systems at many of our offices and sites. As well as improving physical security, this has enhanced our related management information.

The process will continue in 2016, as we seek to bring more global consistency and integration to our access control systems.

#### Improving maritime security

During 2015, we conducted a full review of the security of our maritime assets. This has given us a better understanding of the related security implications and helps us to monitor our assets in compliance with the International Ship and Port Facility Security (ISPS) Code.

#### Respecting human rights

Where necessary (for example, where we have a contractual requirement to engage with armed public or private security providers), we conduct security and human rights risk assessments. In 2015, we did this in Algeria, Mexico and Tunisia. Such audits enable us to demonstrate to our clients and other stakeholders that we follow good practice in reducing the risk of inadvertent human rights violations.



'Safe' is a core Petrofac value. At many of our projects we have delivered tens of millions of man-hours without a safety incident.

## People and resourcing

**Petrofac is a people-based business.**

**Our people, their attitude and their skills are key to our distinctive, delivery focused culture. By living our values, they set us apart from our competitors, allow us to attract and retain clients, and enable us to earn differentiated margins.**

For the next phase of our development, we aim to bring more efficiency, consistency and effectiveness to the way we recruit, develop and manage our people – while also enabling and encouraging employees from around the world to progress in their careers.

In a company with such a strong culture, we need everyone to understand and live up to our values. Our HR teams are therefore working closely with their colleagues from across the business to reflect these values in our recruitment processes, our performance management systems, and our continuous learning programmes.

Our values underpin all that we do and, during the current challenging period, are helping the Company to maintain its focus on disciplined cost containment.

### Pursuing a business-focused HR strategy

Throughout the Group, we employ HR professionals with expertise in a number of disciplines. They are based in each of our key locations and, together, they deliver a business-focused HR strategy. The guiding principles include:

- **Developing all of our people** – viewing current employees as the natural candidates for tomorrow's roles and equipping them to progress in their careers
- **Identifying and developing those with leadership potential** – with effective talent management and succession planning identifying the next generation of senior leaders and providing the support they need
- **Strengthening our leadership capabilities** – developing the skills of those responsible for others
- **Driving high performance** – cascading consistent and aligned performance measures to enable us to achieve our business plans
- **Attracting and developing the right graduates** – evolving our graduate programmes to create a global cohort who are closely networked and highly collaborative
- **Encouraging people to 'join our journey'** – portraying a consistent employee value proposition that helps us to compete for and retain talent
- **Getting the HR fundamentals right** – seeking greater efficiency, integration, consistency and effectiveness across all our HR activities

In 2015, the total number of employees and long-term contractors decreased by around 4% to reach 19,000.



The North Kuwait New Distribution Network Project was one of our 2015 EVE Award winners.

In light of the challenges faced across the oil and gas sector, jobs have become scarce and voluntary turnover levels within the industry are thought to have reduced commensurately. Here at Petrofac, voluntary staff attrition (measured in terms of those leaving the Company by choice) reduced to around 6% compared with 8.5% in 2014.

### Adapting to an uncertain business environment

As covered elsewhere in this Annual Report, the Group is adapting to an uncertain business environment, in which oil prices may remain low for a sustained period of time. There is a renewed focus on operational excellence and disciplined cost control.

Fortunately for Petrofac and our employees, much of the Group is well positioned in the most robust segments of the oil and gas industry and we enter 2016 with our largest ever year-end backlog. However, some parts of the business are not so well insulated from lower oil prices, such as our IES operations and also our operations in the UK Continental Shelf (UKCS). So, in effect, we are now managing two types of businesses:

- The operations concentrated in the Middle East and North Africa and our centres of excellence in India, which are continuing to see growth but are nonetheless facing increased competitive intensity
- The more cost-constrained operations located elsewhere

To reflect these circumstances, the Group has been preparing for a reorganisation, which took effect from early-2016, where the HR team has taken a central role. As a result, we have had to manage our cost base tightly and implement reductions in our headcount in a number of locations.

## During 2015, we climbed more than 100 places (to 174) in the 'Guardian UK 300' listing, which ranks the country's most popular graduate employers.

In our UK-based operations, which have been hit particularly hard by falling oil prices, we took the opportunity to establish a UK-wide consultation forum, to act as a conduit for two-way communications with our UK-based employees. With the decision to reduce our UK headcount, this forum played an important role in employee engagement, under very challenging circumstances. In our other locations, such as Mexico and Malaysia, the business has also been restructured and reductions in workforce have been implemented.

### A clear focus on growing our own talent

In the past, Petrofac typically relied on external recruitment to fill key roles. Now, as part of our HR strategy and our talent management programmes, we want our existing employees to benefit from career progression opportunities that may open up across the Group.

With this emphasis on identifying, developing and progressing our own talent, we aim to be seen as an attractive employer, offering tangible opportunities for career progression and personal development. Achievements include:

- **We are now regarded as one of the world's most in demand employers**

Back in 2014, we developed an 'employee value proposition', encouraging potential job applicants to 'Join our Journey'. We also introduced a new online recruitment and application-tracking system, designed to improve the experience of potential employees, streamline our recruitment processes, and bring more rigour to the planning and evaluation of our recruitment advertising.

We recognise LinkedIn as a key channel to position ourselves as an employer of choice. Our presence and strength of brand continues to grow and we experience high levels of engagement with content on our page. This contributed to our appearance on LinkedIn's 2015 list of 100 Most InDemand employers for Europe, the Middle East, and Africa (EMEA). In 2015 we were also named, for the second successive year, as one of LinkedIn's top 20 most influential UK brands.

- **We are a popular career choice among today's graduates**

Attracting and developing the right graduates is one of the principles of our HR strategy.

Regrettably, conditions in 2015 forced us to pause our UK graduate recruitment programmes. But, elsewhere in the world, the graduate programme continued unabated. In Sharjah for example, our graduate intake for the year was around 140 people (a slight increase from 2014) and, in India, we recruited around 90 new graduates.

To reflect our emphasis on graduate recruitment and development, we brought greater Group-wide alignment to our induction and development programmes. The Petrofac Academy, which is located in Sharjah, for example, is becoming responsible for continuous learning initiatives across the Group. In addition, Group Chief Executive Ayman Asfari took the opportunity whilst

visiting the Sharjah office to welcome 2015's graduate intake to the Group by attending an interactive event, which linked via video, graduates based in Sharjah with those based in Mumbai, Chennai and Malaysia. This joined-up approach helps our graduate cohort become closely networked and highly collaborative, accelerates the acquisition of skills, and allows our young professionals to achieve autonomy more quickly.

We are proud that our graduates reflect the level of diversity we enjoy across the wider Group. They represent almost 50 nationalities and females continue to make up around 20% of the total. We also benefit from high levels of retention – among the 1,000 graduates recruited since 2004, the retention rate remains around 70%.

During 2015, we climbed more than 100 places (to 174) in the 'Guardian UK 300' listing, which ranks the country's most popular graduate employers.

### A commitment to continuous learning and development

Again, the central ethos of our HR strategy is to develop our own people.

We want to enable all employees to progress professionally. We also want to help those employees who are responsible for others to improve their management and leadership skills. Irrespective of their role or seniority, we want to help our employees to live the Petrofac values.

- **Individual development**

We offer a growing range of programmes and resources to help individual employees develop their respective competencies.

During 2015, we conducted a review of our e-learning resources, in order to provide more flexibility for employees and ensure that programmes developed in one part of the Group can be accessed by colleagues elsewhere. Going forward, we intend to implement an integrated, Group-wide learning management system, which makes better in-house use of the technologies and tools developed by Petrofac Training Services. This will give us more consistent means of identifying training needs, delivering learning, assessing competence and tracking individual progress.

- **Management and leadership development**

As in previous years, we continued to develop the skills of those responsible for others. As well as improving their capabilities, this helps us to cascade the right behaviours through the organisation. An important component is our Leadership Excellence Programme, which around 200 of our most senior leaders have participated in. The programme comprises a leadership event, skills modules and alumni workshops.

Another focus for 2015 was to implement and embed our newly developed Leadership and Management Competency Framework.



We set out clearly what we expect of all our managers, from first line supervisors right through to our most senior leaders. The framework covers four dimensions:

- Driving performance
- Developing people
- Delivering for clients
- Being a role model for our values

To live up to these expectations, we operate an all-embracing management and leadership development programme, which we call the Petrofac Pathway. During 2015, 420 managers went through the programme. A priority for 2016 is to continue to embed the Petrofac Pathway across the Group, and to support local offices with its implementation.

### Forever emphasising the importance of our values

It is important that all employees understand the importance of the Petrofac values and the role they play in our distinctive, delivery-focused culture.

Our values are therefore integrated into everything we do and we explain their importance to employees at each stage of their Petrofac career. This enables everyone to understand what is expected of them, the behaviours we value, and the contribution they make to the success of their teams. In addition, our values are linked to our Group-wide performance management process and therefore play a part in setting employee objectives and conducting mid-year reviews and year-end appraisals.

This helps us drive a high performance culture across the Group, whilst also maintaining a focus on how our people should work in partnership with the wider Petrofac team.

Each year, we also celebrate employees and teams who embody our values through the EVE (Excellence, Values, Energy) Awards. As in 2014, we received around 320 entries from across the Group, demonstrating a significant level of interest and enthusiasm.

For 2016 we will ensure that our values are even more visible to employees, at every stage in their career journey, including the initial recruitment and induction, and also the learning and development programmes.



The 2015 EVE (Excellence, Values, Energy) Award winners.

### A disciplined approach to succession and career planning

A focus of our HR strategy is to develop the Group's leadership capabilities.

Back in 2014, we conducted a thorough talent review of our most senior managers, and we continue to review and update succession plans for all our critical roles.

In 2015, we extended our talent reviews further into the organisation, with a focus on emerging talent, focusing on around 1,600 young professionals. In doing so, we assessed their progression to date, and how best to support their future development.

Going forward, we will continue to look at ways to gain more value from the combined knowledge and experience of our most talented people, such as more internal secondments and appointments. The aim is to ensure that we can always place our most effective people into our most important roles.

### Global mobility where it makes business sense

Wherever possible, Petrofac delivers locally, by employing local people, working with local partners and developing local capabilities. However, in some instances, it makes good business sense for us to facilitate international moves.

By mobilising some of our key people, we can supplement local skills. We can also strengthen our global culture and add to the experience of our managers and leaders. By drawing on our in-house HR expertise, we are able to advise local business leaders, support assignees and follow consistent processes.

At the end of 2015, around 50 of our employees were covered by our global mobility programmes. Given our order backlog, we anticipate an increase in the number of short-term and rotational assignments and expect assignees to be drawn from a wider range of countries.

### An engaged workforce with a sense of ownership

Our aim is to monitor formally employee engagement levels across Petrofac. In the past, we have conducted a biennial employee survey, PetroVoices. However, given the impending restructure of the Group, we chose not to do so in 2015 but will endeavour to reintroduce the survey once the restructuring has been embedded.

Meanwhile, we actively encourage employee share ownership, believing that it builds commitment to the Company's goals and rewards our people for their contribution. In 2015, 32% of our employees participated in at least one of the Petrofac employee share schemes.

**In 2015 our spending on social investments amounted to US\$3.5 million, contributing to tangible benefits for those we support and also for Petrofac.**

## Social performance

**For many of our projects, we have a regulatory, contractual or other requirement to manage the impact (both positive and negative) our business may have on the communities where we are active.**

**Where this is the case, we are becoming ever more rigorous in the way we work with our clients to understand and manage these impacts. This means we are becoming better able to reduce risk and create value for the Company, our clients and neighbouring communities.**

We describe our approach to this as social performance.

### Our management framework

Our Social Performance Framework governs how we manage social performance across the Group. Our Social Performance Standard and associated guidelines set the expectations and requirements that enable us to meet the commitments set out in the Petrofac Ethical, Social and Regulatory Policy as they relate to social performance.

The Social Performance Standard is designed to be consistent with relevant international standards, such as the International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability. In 2015, as part of a three-yearly review process, we refreshed the Standard and reviewed the related guidelines.

The Framework is significant in four main ways:

1. It sets out our minimum expectations and requirements for those contracts where we have a regulatory or contractual accountability for managing social impacts
2. It provides consistent guidance across the Group on how we have decided to manage the various elements of social performance
3. It demonstrates to clients our approach to social performance and indicates our related credentials
4. It indicates to all stakeholders that we have a coherent approach to working in sensitive locations, and are capable of fulfilling internationally recognised social performance requirements

### Implementing the Social Performance Standard

We implement our Social Performance Standard in countries where we are contractually responsible for managing community relations, such as Mexico and Tunisia. In both of these countries, we have completed social assessments and have mitigation measures in place to address identified issues. We also have dedicated community relations teams to manage our social performance commitments and engage regularly with our neighbouring communities.

In 2015, we conducted a review of some of our key engineering, procurement and construction (EPC) contracts to identify areas where we have contractual requirements and/or regulatory responsibility for implementing any elements of social performance. This is enabling us to identify how social performance is relevant to this aspect of our business, and to ensure that it is implemented effectively across all relevant projects.

### Integrating social performance into our wider business processes

During 2015, we continued to raise awareness of social performance issues across the Group and incorporate them into our wider business processes. For example, social performance considerations are incorporated into:

- The Petrofac Enterprise Risk Management System (PERMS)
- The risk assessment phase of pre-bidding and bidding processes (in order, for example, to anticipate potential community relations considerations)
- Our approach to security (to understand and address any situations where community relations could constitute a security risk)

For 2016, we will continue to increase the social performance awareness and capability across the Group and continue to implement the Framework.



Petrofac supports local fishermen and the mangrove conservation project in Tabasco, Mexico.

### Social investment programmes

Our social investments fall into two categories:

- Community development – spending on initiatives that benefit neighbouring communities in our areas of operation. They are based on needs assessments to help local communities meet their long-term priorities.
- Strategic corporate giving – spending on philanthropic initiatives that have altruistic aims but nonetheless contribute to Petrofac's reputation. They are managed by our local offices, and are moving towards a focus on our Group-wide theme of science, technology, engineering and mathematics (STEM) education.

In 2015, our spending on these social investments amounted to US\$3.5 million. This was down from US\$4.1 million in 2014, in part due to reduced expenditure in Mexico, where we have been renegotiating our contracts as part of the country's energy sector reforms.

Although the amount we spend may have decreased, we believe our approach is becoming progressively more rigorous and therefore more effective in contributing to tangible benefits for those we support and also for Petrofac. For example, we have strategic plans in place for all our IES assets, and a growing number of our corporate centres are involved in strategic corporate giving initiatives.



One of our community meetings in Mexico.

### • About our community development initiatives

Where we operate assets and are directly accountable for managing social impacts, we implement community development programmes.

In recent years, we were particularly active in Mexico, where we have been contractually committed to spending 1% of our total annual expenditure on sustainable initiatives (75% of which is cost-recoverable). With the renegotiation of our Mexican contracts, the level of capital expenditure has reduced and, therefore, the amount invested in community development has decreased from US\$3 million in 2014 to US\$2.6 million in 2015. Our focus is currently on finalising the implementation of existing initiatives as we prepare to work under new contract terms.

Similarly, in Romania, where we are exiting from our operations, we have been closing out our existing social investment programme.

Meanwhile, in Tunisia, we continue to face a challenging social context, including some instances of civil unrest (resulting, for example, in a 37-day shutdown at our Chergui concession during 2015), and our investment in community development initiatives has dropped 27% to US\$334,000. However, as we prepare for a future drilling campaign, we remain engaged in an active community consultation process, and continue to target our community investment programmes on improving local livelihoods and education.

A recent success in Tunisia was our work with the local agriculture association to invest in an oil press, which is the first on Kerkennah Island. This allows local farmers to process their olives without the need to transport them to the mainland, resulting in a saving of around 45%. During the last harvest, the press was used by over 450 farmers, who processed 650 tonnes of olive oil – around 40% of the islands' total olive production.

### • About our strategic corporate giving programmes

Petrofac has a formal corporate giving strategy, focusing on initiatives that promote STEM education and/or improve access to education and employability for young people from marginalised groups.

We believe this focus fits well with our business while addressing global development priorities. Although guided by a Group-wide strategy, our related programmes are typically selected and implemented at a national or regional level and managed by local offices.

Our strategic corporate giving also covers initiatives intended to enhance employee engagement. For example, we support matched-funding programmes, and often make donations to charities that are relevant to our employees or are located near to our offices.



Examples include:

- **The Royal Academy of Engineering, UK**

In the UK, we have a long-standing partnership with the Royal Academy of Engineering and our Group Chief Executive, Ayman Asfari, is a Fellow of the Academy.

Each year since 2009, we have supported the Royal Academy of Engineering Fellowship Programme, which provides funding for graduate engineers to pursue a one-year Masters programme in applied technical roles in the oil and gas industry, and has now benefited 31 fellows.

In 2015, we also extended our support of the Academy's STEM Teacher Connectors project, which employs an expanding network of Teacher Coordinators, who provide local STEM teachers with training, resources and networking opportunities. During the most recent academic year, an estimated 1,100 pupils from 68 schools benefited.

- **The Kincorth Academy Partnership, Aberdeen**

For several years, we have enjoyed a partnership with Kincorth Academy, a local secondary school in Aberdeen. We support various projects including STEM outreach programmes, CV writing and interview skills coaching. Our support involves a mix of financial, in-kind and employee volunteering contributions.

### Managing and monitoring our human rights performance

Petrofac's Ethical, Social and Regulatory Policy prevents us from engaging in any business activities that could implicate the Company – either directly or indirectly – in the abuse of human rights or the breach of internationally recognised labour standards.

As such, we respect human rights as set out in the United Nations' Universal Declaration of Human Rights, as well as the core conventions of the International Labour Organization (ILO). We also support the United Nations' Guiding Principles on Business and Human Rights.

Most human rights protections are covered in a range of Company policies and standards, such as our Code of Conduct, Social Performance Framework and HR policies.

In line with the GRI G4 reporting requirements, and in response to stakeholder expectations (see the materiality matrix on page 50) we continue to recognise the need to:

- Become more explicit in our reporting on human rights issues
- Enhance our due diligence in relation to human rights issues, with an emphasis on the concerns that are most relevant to our sector – such as the management of large temporary workforces, particularly those working on projects that entail large numbers of contractors and subcontractors
- Ensure that all related risks are appropriately monitored and managed



Some of the graduate engineers from the Royal Academy of Engineering Fellowship Programme.

During 2015, to become more explicit about our expectations, we updated several areas of our policy framework. For example, we developed a policy statement on child labour, which states that we will:

- Not employ anyone under the age of 15 (in accordance with the ILO Conventions relating to child labour)
- Adhere to minimum age provisions of any national labour laws and regulations which specify a higher minimum working age
- Work with suppliers and contractors to ensure that they comply with this policy

We also updated our Social Performance Standard to reflect our policy commitments to human rights.

A priority for 2016 is to ensure that Petrofac complies with the requirements of the UK Modern Slavery Act. In particular, we intend to enhance our due diligence process to demonstrate our commitment to eliminating the risks of modern day slavery in our supply chain.



## Economic performance

**As a global business, Petrofac operates in many different countries – and we seek to make a positive and tangible contribution to their respective economies.**

### Quantifying and maximising our in-country value

Local delivery has always been key to the Petrofac model – employing local people, working with local suppliers, and developing local capabilities.

The concept of In-Country Value (ICV) seeks to formalise and quantify the net contribution Petrofac makes to the economies in which we operate.

Across many of our projects, we have started to evaluate our impact. In future years, we aim to become more consistent in the way we set and monitor targets and to share the lessons learnt across the Group.

### Working with local suppliers

Through the procurement of goods and services, we have an important opportunity to contribute to local economies and we always aim to work with local vendors and suppliers. This enables us to meet our contractual and regulatory obligations regarding local content. It also helps us to reduce costs and enhance relationships with clients and other local stakeholders.

In 2015, just taking into account the key projects listed on page 37, we purchased more than US\$2.2 billion worth of goods and services, more than 25% of which was supplied by vendors located within the country of operation.

For various reasons, the level of local content varies significantly by country. For example, in Abu Dhabi, where we are delivering projects worth US\$4.1 billion, more than 72% of our procurement was through locally registered vendors, and the equivalent figure for Saudi Arabia exceeds 66%.

In 2016 we aim to harmonise the way that we gather data relating to local content, which should enable us to report our contributions more clearly in future.

### Supporting local employment

We are also working towards gathering consistent data to report how many jobs are created and sustained on our key projects. Our goal is to understand the total number of jobs created, as well as the ratio between expatriate and local workers – to indicate the level of the local content of our workforces.

As of December 2015, just taking into account the key projects listed on page 37, we supported over 55,000 jobs at our project sites. The vast majority of these, 93%, were through our sub-contractors, with a smaller number of expatriate and local Petrofac employees and contractors.

Total amount paid to governments in tax

**US\$605m**

(2014: US\$720 million)

Value of goods and services ordered for key projects in ECOM

**US\$2.2bn**

(2014: not reported)

Number of jobs supported at key ECOM project sites

**55,000+**

(2014: not reported)

Many of these subcontractor jobs are held by local people. In 2016, in order to understand the total number of people who are hired locally, we aim to analyse further and report on the make-up of our subcontractors' workforces, as well as the employees at our country offices and other assets.

Examples include:

#### • Investing in Omani content

Petrofac has a strong heritage in Oman dating back to 1988.

Today, we continue to provide engineering, procurement and construction (EPC) services, and are also extending our local capabilities in engineering consultancy services (ECS), which enables us to support the development of local service providers and vendors. In addition, our recently expanded country office in Muscat demonstrates our commitment to working as an integral and sustainable part of the Omani market.

We are currently delivering four strategic projects in the country (the Khazzan gas field project, the Yibal Khuff project, the Rabab Harweel Integrated Project, and the Sohar refinery improvement programme) with a combined value of more than US\$5 billion. In partnership with Takatuf Oman, we are also developing a state of the art vocational training facility to train Omani school-leavers to international standards for careers in the oil field industry.

At the end of 2015 we directly employed over 600 staff at our Muscat office and project sites, and more than 40% of them are Omani nationals. In addition, more than 14,500 people are employed through our contractors and work on our sites, many of whom are Omani nationals.

As required by the government of Oman and in support of our clients' respective ICV targets, we report regularly on our ICV spending. To date, on the four strategic projects mentioned above, we have invested over US\$1 billion in ICV. Of this, 85% has been spent through local goods and services providers, as well as on supplier development and training support initiatives.

#### • Developing local capabilities in Algeria

Building on a 15-year track record in the country, we are currently delivering three major projects in Algeria, with a combined value of more than US\$3.1 billion (namely, the In Salah Gas Southern Fields development, the Alrar Gas Compression plant and the Reggane North Development Project). In addition, we have an ongoing engineering services agreement with the In Salah Gas joint venture, and have entered into two further strategic agreements with Sonatrach, the Algerian state owned energy company.

In combination, these assignments are benefiting the Algerian economy in several ways. For example, as of December 2015, we employed directly and through third parties over 800 people in the country, 56% of whom are Algerian nationals. Through our subcontractors, an additional 6,650 people are employed, 6,000 of whom are Algerian nationals. In combination, this equates to a ratio of over 86% in local content.

Meanwhile, on the three major projects mentioned above, we spent a total of US\$60 million in 2015 through local vendors. In addition, we have invested more than US\$7 million in establishing a world-class training facility at Hassi Messaoud which, since 2010, has trained more than 850 local people.

#### Making a significant contribution to public finances

Through the taxes we pay, Petrofac makes a significant financial contribution to the public finances of the local economies in which we operate.

In 2015, the total amount paid to governments in tax was US\$605 million, comprising corporate income tax, employment taxes, other forms of tax and social security contributions.

#### Bringing more transparency to our tax reporting

Across the world, there are a number of new and proposed initiatives relating to increased transparency of companies' reporting on tax arrangements and tax payments, as well as disclosure of tax policy, strategy, governance and risk management. We are fully supportive of such initiatives and, in many cases, are actively contributing to their development.

For example:

- We supported the Extractive Industries Transparency Initiative (EITI), which introduced country-by-country reporting on tax and non-tax payments made to governments in respect of companies' extractive activities, and were actively involved in developing the related policies. The first submissions under this initiative will be made in 2016.
- In 2015, we continued to contribute to research into the structure of business taxation and its economic impact by participating in the OECD's public consultations into tax transparency, the issues surrounding base erosion and profit shifting (BEPS), and other proposed legislative initiatives.
- We continue to maintain memberships of a number of industry groups that proactively participate in the development of future tax policy and transparency initiatives.

#### Our worldwide contribution to public finances

##### – total taxes paid

The total amount that we pay is not confined to the corporate income tax disclosed within the financial statements. The total tax collected includes payments made in respect of: corporate income taxes, employee and employer taxes and social security payments, VAT and sales taxes and other taxes such as withholding, property and other indirect taxes. The total taxes collected shows the contribution made by Petrofac in payments to governments, so includes those taxes which are borne by Petrofac, as well as those collected by Petrofac but recoverable from tax authorities or customers and suppliers. VAT and sales taxes are shown on an accruals basis, which is not expected to be materially different to a paid basis.

##### Our worldwide tax contribution – total taxes paid<sup>1</sup> (US\$m)

912	2013
720	2014
605	2015

<sup>1</sup> Total taxes collected have not been subject to audit.

## Environmental protection

**We are committed to operating our business in an environmentally responsible manner and aim to make continuous reductions to the intensity of the environmental footprint of our global operations.**

In 2015, we continued to bring increased rigour and consistency to the way that we measure and manage our environmental performance.

### Improving consistency across our operations

During 2015, we developed a new Group Health, Safety, Security, and Environmental (HSSE) Framework, which brings more rigour to our existing standards. With an integrated approach to managing HSSE, we also benefit from greater consistency across our operations, and become better able to make organisational improvements.

To support the new HSSE Framework, our Group Environmental Data Reporting Guide (as developed in 2014), was rolled-out across the organisation. The content of this guide is aligned with recognised international reporting standards, such as the Greenhouse Gas Protocol, the Global Reporting Initiative, the Petroleum Industry Guidance on Voluntary Sustainability Reporting, and the UK's Mandatory Greenhouse Gas Reporting Guidelines.

With an enhanced reporting system, we can monitor and compare the performance across our operations more accurately, and manage and reduce our environmental footprint.

Thanks to our new reporting methodology, Petrofac achieved a disclosure rating of 92 out of 100 for our response to the Climate Disclosure Project's (CDP) climate change questionnaire. This rating indicates a comprehensive response to the questionnaire, as well as sound understanding and management of climate change-related issues – including greenhouse gas emissions – relevant to the Company.

### Our reporting principles and procedures

Petrofac discloses greenhouse gas emissions in line with the mandatory GHG reporting requirements of the UK Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 on a voluntary basis.

In 2014, we commissioned Ricardo-AEA, a specialist consultancy, to assure and validate our greenhouse gas emissions data collection processes. In 2016, we plan to undertake a more extensive data assurance programme, consisting of field visits to various operations and in-depth surveys of our data collection processes.

To provide an accurate and consistent 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 published by the UK Department for the Environment, Food and Rural Affairs (DEFRA)
  - For gas flaring – The American Petroleum Institute's SANGA methodology using the chemical composition of the gas
- 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

To take into account the recently updated Greenhouse Gas Protocol Scope 2 Corporate Accounting guidance, we are reporting our emissions using the location-based method.

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. We monitor the compliance of our North Sea operations in line with the Oslo-Paris Convention standards.

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

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

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

### Emissions and spill performance

We have been monitoring and reporting our carbon emissions since 2008.

In 2015 we saw a slight increase in our carbon emissions. This was primarily due to an increase in the production of crude oil at our Malaysian operations, and a consequential increase in energy consumption.

## With an enhanced reporting system, we can monitor more accurately and compare the performance across our operations, and manage and reduce our environmental footprint.

We report an intensity metric for our GHG emissions in line with the GHG reporting requirement of the Companies Act 2006, with which we comply on a voluntary basis. We have chosen to use “tonnes/million US\$ revenue” as this metric is the most representative across the entire business.

Our combined scope 1 and scope 2 greenhouse gas emissions	
Tonnes of carbon emissions (000 tCO <sub>2</sub> e)	
285	2013
264	2014
<b>281</b>	<b>2015</b>

### Breakdown of the greenhouse gas emissions (000 tCO<sub>2</sub>e)

Year	Scope 1	Scope 2
2013	253	32
2014	242	22
2015	260	21

Greenhouse gas intensity	
tCO <sub>2</sub> e per million US\$ revenue	
44.9	2013
42.4	2014
<b>41.0</b>	<b>2015</b>

In 2015, we participated in the first phase of the UK Government's Energy Savings Opportunity Scheme (ESOS), and a qualified Lead Assessor was appointed to ensure compliance with the criteria.

We encourage all of our employees and subcontractors to report even the smallest of oil spills. During the year, we experienced a 10% reduction in the total number of spills. Most of these occurred onshore and involved less than one barrel of hydrocarbon (or saltwater with traces of oil), and had a minimal environmental impact.

Regrettably, we experienced 41 hydrocarbon spills involving more than one barrel. One of these took place in Malaysia and one in Oman, with all of the others occurring in Mexico and Romania. In each case, the appropriate spill-response measures were implemented and a full investigation was conducted.

To improve further the way we respond to spills, we developed an Oil Spill Response Plan self-assessment tool, drawing on the international guidelines and recommendations published by IPIECA (the global oil and gas industry association for environmental and social issues), ARPEL (the regional association of oil, gas and biofuels sector companies in Latin America and the Caribbean), the International Oil Spill Conference (IOSC), and the International Union for Conservation of Nature (IUCN). This tool enables our teams to evaluate their spill response plans and identify opportunities for improvement.

### Continuing improvements in our energy efficiency

For many years, energy efficiency has been an area of focus for the Company, as indicated by a large number of local initiatives. During 2015, we gave the subject more prominence by including it in the Policy Vision of our Environment Policy – which is intended to guide all our activities.

Our commitment is demonstrated through the way that our teams often go beyond client requirements as they seek to optimise the energy efficiency of the facilities we design, develop and operate.

Examples include:

- Our operations team at the Santuario field in Mexico identified the potential to use a low energy Electric Submersible Pump (ESP) system for pumping crude oil. This newly installed system consumes around 30% less energy than its predecessor and has the potential to save 1,120Mwh of power per annum.
- For the analyser package at the Mina Abdulla Refinery project for the Kuwait National Petroleum Company, our design team saw an opportunity to exceed the client's original energy efficiency specifications. By optimising the number and positioning of analysers used in the project, the new design could reduce the associated cooling requirements. This is set to save the equivalent of 2,372Mwh of energy per annum.
- At a construction project for the Kuwait Oil Company, our design teams convinced the client to accept several finished grade levels for the pipe racks (instead of the original plan of achieving a single finished grade level). In doing so, they eliminated the need to dispose of 442,000 cubic metres of soil offsite, thereby avoiding thousands of truck trips and saving the associated fuel.

### Finding new ways to reduce our environmental footprint

We continue to raise awareness of environmental issues among our employees, and encourage them to implement local initiatives.

Examples from 2015 include:

- We introduced smart printing solutions among the 4,000 employees based at our offices in Sharjah, Abu Dhabi, Aberdeen and London. By deploying sophisticated new printers and software, which default to double-sided, black and white printing, we have reduced the use of paper and toner by more than 18%.
- At our Pánuco site in Mexico, the local team stopped using a solvent-based oil conditioning compound and replaced it with a plant-based equivalent (derived from the locally grown species *Jatropha Curcas*). As well as being safer and more environmentally friendly, the new compound has superior viscosity reduction capabilities, which has reduced operational costs and enhanced pipeline delivery capabilities by 50%.
- At the Reggane Nord Development project in Algeria, our teams worked with local communities to devise and implement an innovative waste management programme. This involved the segregation of waste, at source, using a colour-coded system, and enlisting locally-based companies to assist with its removal and recycling. As part of the programme, 60 of the colour-coded waste bins have also been donated to local schools, and Petrofac has provided training to pupils on responsible waste management.



## Ethics

**'Ethical' is one of the six Petrofac values.**

**Our Code of Conduct (the Code) sets out our expectations of everyone who works for and with Petrofac. We aim to make all employees and third parties who work with and for us aware of the Code and its content. If anyone is concerned that the Code may have been breached, we encourage them to report their suspicions without fear of retaliation – and there are several ways to do so.**

In order to achieve our business ambitions, it is important for Petrofac to be and to be seen as an ethical Company.

We therefore aim to make all of our employees and partners aware of our commitment to ethical behaviour, and we continue to improve the scope and reach of our compliance programme.

### Giving clear guidance to employees and business partners

The Code gives explicit guidance to our employees and business partners. Using clear, easy-to-follow language, it provides a series of examples of the types of behaviour we expect of those who work with and for Petrofac. It also states clearly the types of behaviour that would constitute a violation of our 'Ethical' value.

The Code was last reviewed in 2013. Printed copies were subsequently distributed to all employees and it is routinely provided to all new employees and newly contracted third parties. By the close of 2015, more than 23,000 copies had been distributed.

For 2016, we plan a further review of the Code, to ensure that it reflects new legislation. In particular, we plan to provide new guidance on anti-money laundering, trade sanctions and the UK's Modern Day Slavery Act.

### Embedding the Code across our business

During 2015, we continued to draw attention to the Code and its requirements.

For example, all employees and contractors are expected to complete an e-learning programme that explains the Code's principles through a range of everyday examples.

The process began in 2014 with the launch of a web-based compliance portal that can be accessed via any connected device (such as a PC or tablet) by both Petrofac employees, contractors and, at our invitation, third parties who want to do business with us. During 2015, a further 2,000 employees completed the e-learning programme, bringing the total number to more than 16,000.

### Updating our Standard for the Prevention of Bribery and Corruption

In 2015 we updated our Standard for the Prevention of Bribery and Corruption (the Standard), and introduced several new safeguards.

The Standard is now more explicit in its language, has fewer exceptions, explains when such exceptions may apply, simplifies existing compliance processes and mandates competitive tendering processes across the Group. It also incorporates a new due diligence procedure and mandatory completion of e-learning and related training.

The launch commenced in 2015 with face-to-face discussions with our most senior managers. As we continue the rollout in 2016, our focus will be to reach managers in the higher risk positions, from a compliance perspective. The completion of the associated e-learning course will be required amongst more than 3,000 employees and selected third parties.

### Enhancing our certification process

Whilst following the Code is an obligation of all employees and contractors, upholding the Code and being alert to suspected breaches is a key accountability of all Petrofac managers – from first-level supervisors through to our executive leadership team.

In 2015, we continued to refine our Code of Conduct Certification process – an annual exercise that provides the opportunity for all managers to raise any possible Code violations that may have occurred in the preceding 12 months.



Employees can access the web-based compliance portal and Code e-learning programme via any connected device.

In 2015, some 2,500 managers were required to confirm that they had read and understood the Code and observed its requirements in all of their business dealings. Again, we use a web-based system to make the process accessible, and to track participation levels – which is usually close to 100%.

During the year, we tightened up a number of questions, making them more rigorous, such as mandating the disclosure of any possible conflicts of interest. For this certification cycle we plan to implement a process whereby employees who do not have a valid reason for non-certification, will see a reduction in their bonus entitlement.

### Speaking Up about any breaches of the Code

We encourage everyone involved with Petrofac to raise any concerns regarding unethical behaviour, or any questions regarding the Code. Furthermore, we have and implement a non-retaliatory policy against those who raise issues of concern in good faith.

Reports can be made to line managers or their supervisors, or to the HR, legal or compliance teams. We also draw attention to Speak Up – our multi-language phone, online and email service, which enables any employee or third party to report suspected breaches of the Code.

In 2015, 49 suspected breaches were reported to Speak Up, each of which was assessed independently and, where warranted, investigated or are in the process of being investigated. All confirmed violations are reported annually to the Audit Committee. Individuals who are found to be in breach of the Code may have their employment terminated. As a result of feedback from many investigations we plan to refine our Investigation Guidelines, bringing a more consistent approach to investigations that take place locally, and also more oversight to the way we scrutinise any suspected breaches of the Code and communicate outcomes.

### Screening third party suppliers and business partners

We continue to refine the way that we screen our third party suppliers – allowing us to assess their level of technical, financial and reputational strength, and enabling us to mitigate the risks that they may pose to Petrofac.

In 2015, for example, we piloted an online Due Diligence tool which gives Petrofac better visibility of the compliance related risks that third parties may represent to us and allows for timely mitigation steps to be adopted where appropriate. The interactive process, to be adopted across the Company in 2016, comprises a series of questionnaires and external assessments and puts the onus on potential suppliers to confirm that their ethical standards are consistent with our own.

Leaders required to certify compliance with the Code

2,500

Employees who completed the Code e-learning training in 2015

2,000

16,000 since 2014