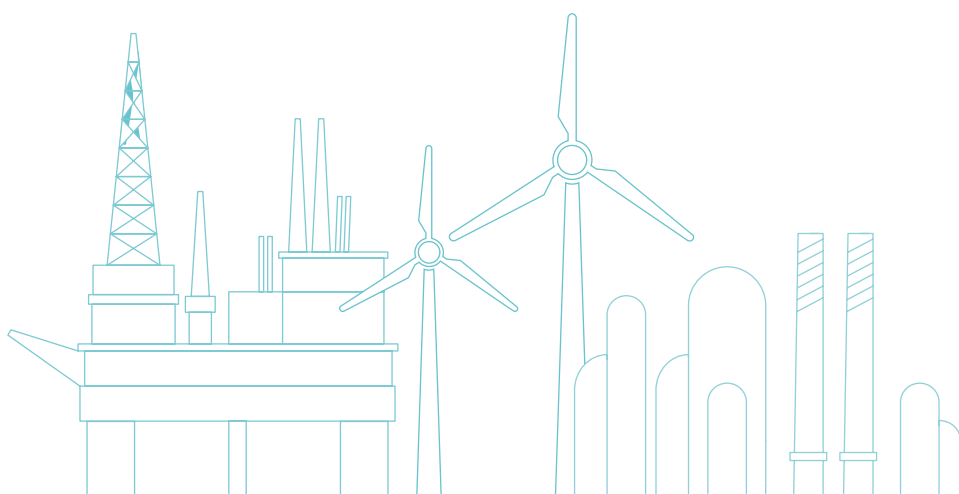


“How we do business is as important to me as what we do.”



Complete alignment between our business model and our ESG agenda

Our business model and our ESG agenda are completely aligned.

We see the energy transition as a strategic opportunity, the creation of in-country value is central to our local delivery model, and our best-in-class delivery is characterised by uncompromising commitments to ethical behaviour, safety, employee wellbeing, diversity and inclusion.

Ultimately, our role is to help clients to meet the world's evolving energy needs – and this means our purpose is intrinsically linked with overcoming one of the biggest challenges currently facing humanity, namely the decarbonisation of the global energy sector.

A stronger, better company

In recent years, it was difficult to talk candidly about Petrofac's ESG agenda without also referencing the Serious Fraud Office (SFO) investigation. The commercial and reputational impact was significant, and obscured much of the good work we were doing in areas such as the

environment, human rights, in-country value, and employee engagement. It made us reflect even more deeply on the importance of how we do business.

With this regrettable episode very much in the past, I know that we are now a stronger, better Company. We have a deep commitment to ethical conduct, backed by a world-class compliance regime, more codified behaviours and values, and a determination to regain the confidence of all clients – and this exists within the context of a broader ESG agenda, which encapsulates our approach to how we do business.

Clear commitments and solid progress

ESG has the full attention of the Executive team, and we are making demonstrable progress on many fronts.

In 2021, for example, we gave details of how we would meet our Net Zero commitments, eradicated the use of single-use plastics at all our permanent offices, and improved our emissions performance. We also made progress on diversity and inclusion, introducing several related initiatives, and setting more ambitious targets.

Meanwhile, an already strong safety culture was bolstered with new senior-level appointments.

Putting our people first

We also remain acutely aware of the impact of COVID-19 on our people and their wellbeing.

2021 brought another difficult rightsizing programme: the pandemic created continuing disruption, especially for onsite teams, and morale was inevitably impacted. We have therefore been increasing our focus on employee engagement.

I should stress that this is just a snapshot. As I hope this report demonstrates, these few highlights exist within a Petrofac approach to ESG which is holistic as well as authentic.

Sami Iskander

Group Chief Executive

Defining our material issues

Understanding what matters most to our stakeholders

To understand what matters to them most, we formally engage with representatives from various stakeholder groups (including clients, suppliers, investors, NGOs, policymakers, employees, and our supply chain) and align our Environment, Social and Governance (ESG) priorities to the material issues identified.

In 2021, we undertook a limited materiality review, updating our previous survey with a programme of more focused one-on-one discussions with key stakeholders. We also consulted employees from across the business through various webinars and engagement events to listen to their views and better understand their priorities.

Based on this engagement, we maintain a materiality matrix, which is used to inform our sustainability strategy and guide our ESG programmes.

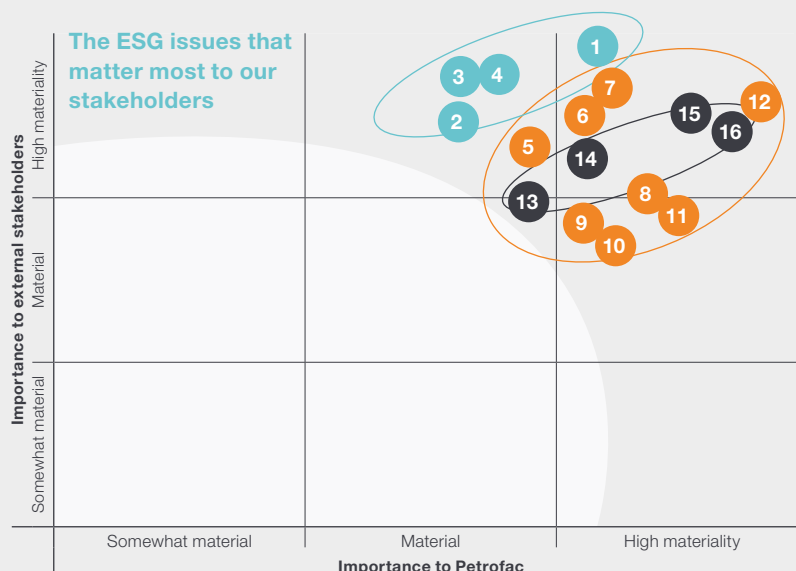
1. Define internal and external stakeholders Broad selection taken from key stakeholder groups and geographies.

2. Stakeholder information gathered Via survey questionnaires, stakeholder roadshows, and various engagement events.

3. Follow-up engagement sessions One-to-one sessions with key stakeholders to 'deep dive' on specific topics and emerging issues.

4. Materiality reviews Collate and evaluate data, review accompanying commentary and rank issues.

5. Finalise materiality matrix Material issues presented to the Sustainability Steering Committee and executive management to inform strategy and disclosure.



Material issues

Environmental aspects

1. Tackling climate change
2. Environmental accidents
3. Plastic pollution
4. Biodiversity

Social aspects

5. Diversity and inclusion
6. Worker welfare
7. Human rights
8. In-country value

9. Process safety
10. Emergency preparedness
11. Safety systems
12. Worker safety

Governance aspects

13. Whistleblowing
14. Responsible governance
15. Anti-bribery and corruption
16. Ethical conduct

An ESG framework focused on shared value

Embedding our sustainability strategy

A priority for 2021 was to embed our newly-launched sustainability strategy, introducing the ESG goals to our people and stakeholders, and showing how our purpose is aligned to our sustainability ambitions.

The strategy is structured around the three ESG pillars:

- **Environment** – ensuring that Petrofac minimises its own environmental impact, while supporting our clients in achieving their lower carbon ambitions
- **Social** – promoting safe local delivery of our projects and services, drawing on ethical supply chains, building a diverse workforce, and helping to address the skills gaps that will support a just transition
- **Governance** – underpinning everything we do with clear, consistent standards of ethical behaviour, bound by rigorous compliance and governance

Our strategic goals



Our material issues	Our targets	Progress in 2021	Further information
		● On target ● Progressing ● Target not achieved	
Addressing climate risk	Net Zero by 2030 (Asset Solutions by 2025)	● Scope 1 & 2 emissions were reduced by 22% and we started reporting against Scope 3 emissions	See page 35
Spill prevention and response	Zero pollution	● We made progress in preventing and reducing spills, though unfortunately had one recordable spill, with a volume of two barrels	See page 35
Promoting a circular economy	Circular economy adopted by all sites	● We launched our No, Less, Better plastic reduction strategy and eliminated single-use plastics in our main offices	See page 36
Sector leading health and safety	Zero harm	● Tragically, we saw one fatality on a third-party contractor manual excavation activity on a project in Thailand. We have taken far-reaching actions to address the underlying causes and remain determined to achieve our zero-harm target	See page 45
Enhancing diversity and inclusion	30% women in leadership roles by 2030	● We increased the proportion of women in senior management to 25% and adjusted our target of 30% by 2030 bringing it forward by five years to 2025	See page 49
Respecting human rights	All third parties screened for human rights	● We screened 100% of third parties for human rights violations, and no incidents of modern slavery were reported. However, at lower tiers of our supply chain, we did undercover labour rights violations (late salary payment)	See page 56
Optimising in-country value	Sector leading local delivery	● The proportion of locally-sourced goods and services increased to 54%, reflecting our continued investment in our local delivery capability	See page 53
Embedding ethical values and behaviours	No regulatory non-compliance	● We worked with the Serious Fraud Office to bring to conclusion the investigation into seven historic offences of failing to prevent former employees from offering or making payments to agents in relation to project awards between 2012 and 2015. We have taken responsibility, reformed, and learnt from these past mistakes, as acknowledged by the SFO and the Court.	See page 58
Enhancing transparency, governance and disclosure	Full compliance with TCFD	● We successfully completed our first climate response report, which achieved full compliance with the TCFD recommendations and was recognised by the UN Global Compact as good industry practice	See page 37

Aligning with the sustainable development goals

Our sustainability strategy is aligned with the seven UN Sustainable Development Goals that we believe are most relevant to Petrofac's business.

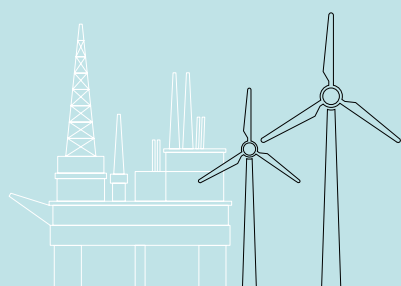
We are also a signatory of the UN Global Compact, and this report serves as our Communication on Progress on the implementation of its 10 Principles. The report is also prepared in accordance with the Global Reporting Initiative, the Sustainability Accounting Standards Board, and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Environmental

Why this is important to our business model and strategy

As an energy services company that designs, develops and operates large scale facilities, Petrofac's business is inextricably linked to environmental considerations.

This includes energy and climate change concerns and the risk of environmental incidents, as well as the environmental performance of our own operations. It also includes the requirement from clients to help reduce the carbon intensity of their facilities and operations, and incorporates Petrofac's role in the global energy transition.

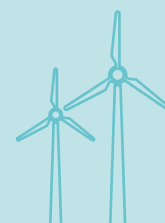


Net Zero

We are committed to reaching **Net Zero¹ in Scope 1 & 2² emissions by 2030**



We phased out single-use plastics across our permanent offices



Our UK offices switched over 90% of supplied energy contracts to renewable energy



Gas abatement plans implemented on PM304 reduce gas flaring by a third³

Our performance⁴

Scope 1 emissions

(direct from owned or controlled sources)
Tonnes of carbon emissions (000 tCO₂e)

2019	231
2020	250
2021	188

Scope 2 emissions

(indirect from purchased energy)
Tonnes of carbon emissions (000 tCO₂e)

2019	12
2020	10
2021	8

Number of spills above one barrel (0 from vandalism)

2019	17
2020	1
2021	1

GHG intensity IES

(000 tCO₂e per million boe production)

2019	97
2020	116
2021	256

GHG intensity E&C/AS

(000 tCO₂e per million man-hours worked)

2019	0.23
2020	0.27
2021	0.30

Hydrocarbon spilled volume in barrels (0 from vandalism)

2019	558
2020	2
2021	2

¹ Net Zero: no net increase in GHG emissions to the atmosphere as a result of GHG emissions associated with Petrofac's activities, where residual emissions will be offset by carbon credits.

² Scope 1 (direct emissions e.g., production processes) and Scope 2 (indirect emissions e.g. energy purchased).

³ Gas flaring reduced by 5MM SCF/d from November; equivalent to 1/3 of the average gas flaring per day in 2021

⁴ Greenhouse Gas Protocol Standard Corporate Accounting and Reporting (equity share approach) followed for Scope 1 and 2 emissions (market based), utilising SANGIA Energy and Emissions Estimating System and UK Government greenhouse gas (GHG) conversion factors.

Engagement

A Net Zero community of practice (Environmental Sustainability Network) was launched to facilitate employee collaboration and idea sharing on low carbon and circular economy initiatives.

Supply chain

To assess the carbon intensive parts of our supply chain and promote decarbonisation, a programme began and a standard GHG protocol evaluation tool used to complete our first Scope 3 emissions inventory report.

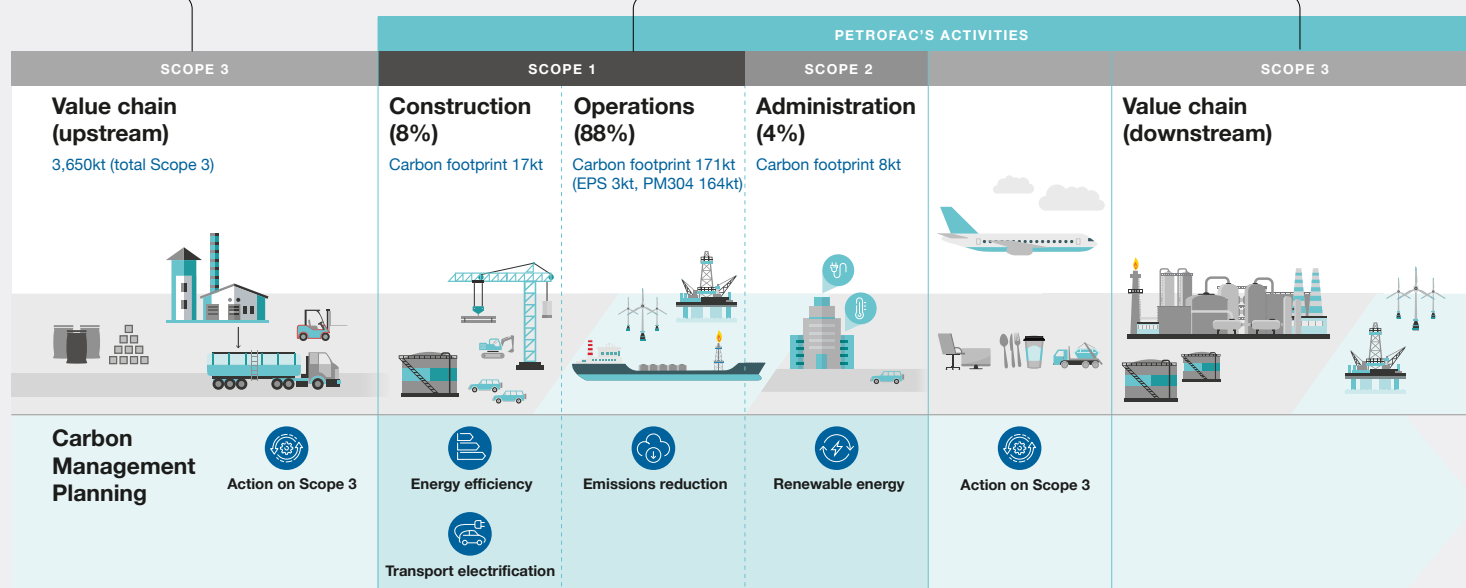
Production operations

To reduce our flaring and fugitive emissions, gas management plans were implemented, focusing on:

- **Gas shut-off** – improvements to reservoir management through working over production wells and inserting downhole sleeves to isolate the gassier parts of the reservoir and reduce the gas going to flare.
- **Action on methane** – enhancing our infrared surveys and leak detection programmes to reduce fugitive methane emissions.

Digitalisation

Work on an established emission and energy management tool was advanced. The tool uses predictive data analytics to enhance the visibility of the carbon impacts of engineering and operational decisions, better enabling those within our value chain to make low carbon choices.



Low carbon construction sites

A technical specification for low carbon construction sites was developed that combines greater energy efficiencies and use of renewable power (including solar-diesel hybrid power generation). Implementation on suitable future projects.

Low carbon offices

Office Net Zero action plans were put in place for all our main offices, focusing on switching energy supply to renewable energy (where available), advancing initiatives to promote more efficient use of energy and water, and introducing EV charging points. Our UK offices switched more than 90% of supplied energy contracts to renewable energy.

Moving from ambition to action on Net Zero

In 2020 we committed to transition to a lower carbon business. To this end, we aim to reach Net Zero¹ in our Scope 1 and 2 emissions² by 2030 and are promoting decarbonisation across our supply chain. Our targets support the principles of the Paris Climate Agreement and the increased ambition from the COP26 Climate Conference in Glasgow. They are also aligned with our clients' own ambitions as the wider sector moves towards decarbonisation.

In 2021 we developed a Net Zero roadmap outlining the approach being taken by each area of the business. Broadly, the path to Net Zero emissions involves two steps:

- First, to decarbonise to organically lower emissions
- Then to offset residual emissions with carbon credits

Our main decarbonisation levers are:

- Switching our energy supply to renewable power
- Improving our energy efficiencies
- Reducing flaring, venting and fugitive emissions
- Electrifying our transport

We also support the lower carbon ambitions within our supply chain, and began a programme to address Scope 3 emissions² and define related reduction targets.

Another 2021 achievement was to set up Carbon Management Teams in each of our business units. Each of these teams is led by a senior management sponsor, includes broad representation from operational teams, and has responsibility for identifying and coordinating the local initiatives that will achieve our overall decarbonisation targets. Workstreams were also established to cover: engagement, supply chain, low carbon construction sites, production operations, low carbon offices, and digitalisation.

¹ Net Zero: no net increase in GHG emissions to the atmosphere as a result of GHG emissions associated with Petrofac's activities, where residual emissions will be offset by carbon credits.

² Scope 1 (direct emissions e.g. production processes), Scope 2 (indirect emissions e.g. energy purchased), Scope 3 (value chain emissions).

How we manage our environmental performance

Our goal is to manage the environmental risks of our projects and operations effectively, optimise our use of resources, and minimise our environmental impacts.

In terms of emissions, to support our 2030 Net Zero target, we are committed to an interim target of a 3% year-on-year reduction in greenhouse gas (GHG) emission intensity from 2021 to 2023.

Each year, we participate in the Carbon Disclosure Project (CDP), and in 2021 we continued to enhance our climate change programme and again achieved a CDP rating of 'B'. This is within the upper band of CDP rating for managing and taking coordinated action on climate-related issues, and above the average of 'C' for our sector.

We calculate our carbon footprint and energy consumption in accordance with the new UK Streamlined Energy and Carbon Reporting (SECR) regulations, and our data is assured and verified by an independent AA1000 licensed assurance provider.

Our Waste Management Standard governs our waste practices, with duty of care as a basic principle. We aim to reduce the amount of waste we generate and to maximise reuse and recycling. In 2021, we reviewed existing waste management practices across the Group, and developed a new digital tool to bring more consistency and rigour to our reporting.

Reflecting on our 2021 performance

In 2021 our absolute emissions reduced by 24%.

In our E&C business, a reduction of 22% was achieved. Several measures in our Net Zero plan contributed to this performance, including enhanced energy efficiency in our offices, reduced travel, and lower fuel consumption, at construction sites. We switched to renewable energy across our UK offices and are exploring similar opportunities in other regions.

At our offshore asset in Malaysia, we completed a programme of optimisation. A production issue led to lower than anticipated levels of flaring and fuel consumption and lower production. In combination, this resulted in a 27% reduction in absolute emissions.

We are on target to meet our long-term commitment of a 20% reduction in GHG intensity. However, with lower production in IES and less activity in our E&C projects, these business units saw an increase in

emissions intensity for 2021. The emission intensity in Asset Solutions has increased due to the inclusion of data from W&W Energy Services, a company acquired by Petrofac that operates a fleet of specialised well services' trucks and vehicles.

Overall, our energy use decreased by 20% to 333 GWh (Scope 1: 311 GWh, Scope 2: 22 GWh). This decrease was driven largely by lower levels of natural gas consumption at our Malaysian operations and reduced fuel consumption on our construction projects.

In terms of spill performance, we experienced one recordable spill, with a volume of two barrels. Our spill risks have significantly reduced since divesting our Mexican assets, which had historically been prone to vandalism.

Addressing our Scope 3 emissions

We recognise that the emissions from our value chain are a material part of our carbon footprint and, in 2021, we initiated a Scope 3 programme to better understand the related decarbonisation challenges and opportunities.

The Quantis Scope 3 evaluator tool developed by the GHG Protocol was customised for in-house carbon accounting. To improve its accuracy, the tool's proxy carbon emissions data was augmented with data from our key vendors, plus direct measurement of some emissions data. This first cut analysis assessed our emissions across all the material Scope 3 categories (excluding use of sold products) as 3,650kt CO₂e.

A programme was also commenced to engage with the most carbon intensive parts of our supply chain. Our Net Zero supply chain team conducted surveys with more than 300 suppliers and vendors, initiating dialogue and identifying opportunities to support their respective decarbonisation programmes. Going forward, we will incorporate carbon data into our supply chain and vendor management systems to assist with the selection of low carbon goods and services.



We are on target to meet our long-term commitment of a 20% reduction in GHG intensity."

Although in its early stages, this Scope 3 programme is making progress and has revealed that many suppliers and vendors have begun to decarbonise. Early successes include the identification of several carbon neutral service providers for oilfield equipment, warehousing, and logistics, as well as sources of low carbon steel and other bulk materials.

We also partnered with the UK Net Zero Technology Centre to support solutions that aim to accelerate the energy transition through the deployment of new technologies.

Our Scope 3 programme and engagement of low carbon suppliers and technology providers is also being incorporated into our low carbon service offering as we support our clients decarbonisation programmes.

Encouraging Net Zero behaviours

Our Net Zero engagement team consulted with environmental advisors from across the Group to identify and agree on the type of individual behaviours that will support our decarbonisation agenda. We then developed a Net Zero Rules promotional campaign, following the same widely recognised format as the International Association of Oil and Gas Producers (IOGP) Life-Saving Rules, ready for roll-out during 2022.

Phasing out single-use plastics

We are reducing our reliance on plastic and phasing out single-use plastic across the Group. Our approach to plastics focuses on:

- **No plastic:** eliminating the main single-use items
- **Less plastic:** reducing the amount of essential plastic we use or receive
- **Better plastic:** ensuring that as much of this essential plastic as possible has a higher recycled content and is recyclable

Across our permanent offices, single-use plastics were set to be eliminated from the start of 2022, and we are looking at how to reduce them from all our operational sites.

Protecting biodiversity

As an energy services company operating across many geographies, we are often faced with biodiversity challenges, and work with clients and other stakeholders to develop effective solutions to protect the natural environment.

To support the theme of this year's World Environment Day, 'Reimagine, Recreate, Restore', several of our project teams partnered with local community groups to support restoration and conservation projects. In Thailand, we worked with the local marine department and Ban Ao Udom fishery group to restore local marine conservation areas and, in Oman, our Duqm project teams worked to clean up plastic waste pollution from local beaches – an initiative that was recognised through an outstanding achievement award by our client OQ8.



Our Net Zero supply chain team conducted surveys with more than 300 suppliers and vendors, initiating dialogue and identifying opportunities to support their respective decarbonisation programmes.”

Task Force on Climate-related Financial Disclosures

We are committed to supporting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and, in 2021, issued our first climate response report covering the initial work undertaken in 2020. We also built on this programme of climate risk management and opportunity capture, and began to integrate it into our existing risk and governance processes.

Governance

Climate change is a material governance and strategic issue that is regularly addressed by our Board and Executive team through strategy and investment discussions, Enterprise Risk Management, and performance review against our commitments.

In 2021, the Sustainability Steering Committee that reports to the Board and Executive team was strengthened and transitioned to the Net Zero Steering Group. It provides support, guidance, and oversight of progress on our Net Zero programme. The Steering Group is supported by a TCFD Working Group that monitors and evaluates climate-related risks and opportunities and tracks management actions. Performance is reported periodically to Executive management and the Board through bimonthly KPI metrics and presentation of regular technical and strategic papers.

Informing our strategy

Our strategic risk and opportunity reviews continue to be informed by a range of sector analyses, including the full range of future scenarios developed by the International Energy Agency¹. The scenarios are used to aid our understanding of how the pace and nature of the energy transition may affect our strategy, and the actions we can take to build resilience and pursue related opportunities.

We actively manage climate-related physical and transition risks, ranging from the increased potential for extreme weather events to disrupt our operations, to the evolving policy landscape that may impact

the Group, such as carbon taxation or more restrictive emissions legislation.

In 2021 we regularly engaged with policy makers, contributing to their public consultation programmes, offering our expertise, and encouraging all industry stakeholders to support a 'just transition'.

The transition to a lower carbon economy also presents climate-related risks and opportunities to our business. As well as taking action to meet our Net Zero carbon commitments, we are rapidly developing our capabilities to unlock value for our clients – for example by helping them to decarbonise their existing operations, and by helping them to plan, build and manage new assets in the offshore wind, hydrogen, CCUS, and waste-to-value market segments. See pages 26 to 29 for detail on the short- and long-term market outlook and how our strategy addresses future risks and opportunities.

Climate risk management

Climate-related risks are classified according to the TCFD's risk management framework. This addresses transition and physical risks, such as the evolving policy landscape, the shift to a low carbon economy, changing stakeholder perceptions and preferences, and risks that are event-driven, such as the increased severity of extreme weather, as well as longer-term shifts in climate patterns. Issues such as changing energy usage and the shift to a low carbon economy are also assessed for the opportunities they create as we look to expand our new energies business. Assessments are undertaken over three- year and 10-year time frames to align to business planning and long-term strategic time horizons.

Climate-related risks and opportunities arising out of the energy transition are fed into the Enterprise Risk Management programme and consolidated into our principal and emerging risks, which are reviewed by the Group Risk Committee, endorsed by the Audit Committee, and approved by the Board (see pages 60 and 61).

Further detail of the identified climate-related issues and how they have affected

the business, its strategy and financial planning is set out in our full response to the eleven TCFD recommendations (see pages 38 to 43).

Metrics and targets

Petrofac is committed to becoming a Net Zero company by 2030, with our Asset Solutions business unit achieving Net Zero by 2025. We have also set decarbonisation targets that support the principles of the Paris Climate Agreement, the UK Government's Net Zero goal, and are aligned with our clients' respective ambitions as the energy sector progressively decarbonises.

In 2021 we began to develop a carbon intensity ranking for each of our projects and operations. The objective is to benchmark each part of the business, identify examples of good practice, pinpoint areas that require additional work, and hold line managers accountable for meeting local decarbonisation targets.

Meanwhile, we continue to encourage the adoption of emissions reduction targets among key suppliers. We also completed an assessment of our Scope 3 emissions, in preparation for setting supply chain engagement targets in 2022 with a focus on the most carbon-intensive goods and services.

Finally, accountability for climate change leadership and decarbonisation continues to be embedded into executive performance measures and remuneration. This means that we are actively incentivising our leadership to accelerate our transition to a low carbon business.

Read the full TCFD report at www.petrofac.com

¹ Climate Scenarios: (i) Low Carbon Future at under 1.5°C (based on IEA Sustainable Development Scenario), (ii) High Carbon Future at more than 3°C (based on IEA Stated Policies Scenario)

In compliance with Listing Rule 9.8.6(8), our climate-related financial disclosures, which are partially consistent with TCFD Recommendations and Recommended Disclosures published in June 2017, are summarised here. Where our disclosures are not consistent with TCFD Recommendations and Recommended Disclosures, the reasons and steps we are taking are set out in our ESG Report

* For further detail refer to our TCFD Climate response report 2021 at petrofac.com

Recommendation	Response	Disclosure location
GOVERNANCE		
a) Describe the Board's oversight of climate-related risks and opportunities		
Process and role of Committees	<p>Climate change is a material governance and strategic issue that is regularly addressed by our Board and Executive team through strategy and investment discussions, enterprise risk management, and performance reviews against our commitments.</p> <p>The Board is responsible for oversight of the overall conduct of the Group's business, which extends to setting our climate response strategy and approach to the energy transition. The Board is assisted by four Board committees that have climate-related responsibilities covering – Audit, Compliance and Ethics, Nominations and Remuneration.</p> <p>The Audit Committee has been delegated the responsibility of monitoring and reviewing the integrity and effectiveness of the Group's overall risk management and internal control systems, and exercises oversight of energy transition and climate risks.</p> <p>The Board and its committees typically meet every 2-3 months. Climate and energy transition issues are discussed at each meeting.</p>	<p>Pages 60-61</p> <p>Page 95</p> <p>Pages 6-7 Climate response report*</p>
Examples of the Board and relevant Board committees taking climate into account	<p>In 2021 the Board progressed key actions defined by the Chairman from the annual effectiveness review, including continued development of the sustainability strategy and the ESG roadmap, clearly defining the Group's direction on energy transition and climate response.</p> <p>Performance is reported periodically (typically bimonthly) to Executive management and the Board through KPI metrics that include:</p> <ul style="list-style-type: none"> – GHG intensity reduction across each business unit – Progress on emissions reduction initiatives – % of purchased electricity switched to renewable sources, and – Progress incorporating low carbon services into bids and tenders (new KPI from 2022) <p>In addition to KPI metrics, in 2021 a number of technical and strategic papers and progress updates were presented (quarterly to six-monthly) on our Net Zero and New Energies strategies and plans.</p>	<p>Pages 3-5</p> <p>Pages 30-36</p> <p>Page 100</p>
b) Describe management's role in assessing climate-related risks and opportunities		
Who manages climate-related risks and opportunities	The assessment and management of climate-related risk and opportunity is integrated into Executive Management's area of responsibility as climate-related objectives. Associated targets and key performance indicators are cascaded down through line management and incorporated into staff scorecards.	<p>Page 10</p> <p>Pages 7-8 Climate response report*</p>
How management reports to the Board	<p>The Board and its Committees are updated on climate-related issues by the company secretary's office, which works closely with the Group Executive team to develop materials that assist the Board and its Committees to discharge their responsibilities.</p> <p>In addition to these Board committees, there are a number of executive management committees in place, which meet more frequently (biweekly-monthly), and are involved in assessing the materiality of climate-related and energy transition risks and opportunities and consider matters for recommendation to the Board and its Committees.</p> <p>The Group Director of Communications & Sustainability and Group Head of Health, Safety and Environment are the principal points of contact with the Board and Group Executive for ESG matters.</p>	<p>Page 11</p>

Recommendation	Response	Disclosure location
Processes used to inform management	<p>In 2021, the Sustainability Steering Committee that reports to the Board and Executive team was strengthened and transitioned to the Net Zero Steering Group. It provides support, guidance, and oversight of progress on our Net Zero programme. The Steering Group is supported by a TCFD Working Group that monitors and evaluates climate related issues and tracks actions.</p> <p>Carbon Management Teams (CMT) established within each business unit take local ownership for delivering decarbonisation. Each CMT has a senior management sponsor who oversees the programme and keeps Executive Management informed on progress</p> <p>Climate-related matters and progress on our Net Zero and New Energies strategies were discussed at each of the business unit leadership global town hall meetings in 2021. In addition, a regular status report (typically quarterly) was provided to management on decarbonisation progress through the Net Zero Steering Group's meeting minutes.</p>	<p>Page 35</p> <p>Page 7 Climate response report*</p>
STRATEGY		
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term		
Processes used to determine material risks and opportunities	<p>Our strategic risk and opportunity reviews continue to be informed by a range of sector analyses, including the full range of future scenarios developed by the International Energy Agency. The scenarios are used to aid our understanding of how the pace and nature of the energy transition may affect our strategy, and the actions we can take to build resilience and pursue related opportunities.</p> <p>The climate risk and opportunity analysis undertaken in 2021 continued to be based on the following low and high climate scenarios:</p> <ul style="list-style-type: none"> – Low Carbon Future at under 1.5 °C (based on IEA Sustainable Development Scenario) – characterised by industry alignment with the Paris Agreement, rapid acceleration to a low-carbon economy, green technology breakthroughs and global policy coordination on carbon tax and emissions that materially reduces fossil fuel use. – High Carbon Future at more than 3 °C (based on IEA Stated Policies Scenario) – characterised by current policy intentions and targets. Energy demand rising by 1% per year to 2040, with low-carbon sources, led by solar PV, supplying more than half of this growth, though the momentum behind clean energy technologies insufficient to offset the effects of an expanding global economy and growing population. The rise in emissions slows but, with no peak before 2040 and the world falls short of the Paris climate goals. 	<p>Pages 13-14</p> <p>Pages 60-61</p> <p>Page 10 Climate response report*</p>
Relevant time horizons	<p>In reviewing our strategy, we consider a wide range of opportunities and risks across two discrete time horizons:</p> <ul style="list-style-type: none"> – Short term (0-3 years): defined by detailed business and financial plans, which are performance managed in delivery of our business plan targets. – Medium – Long term (4 – 10+ years): given the rapid pace of external change and the wide range of uncertainties, this time horizon enables us to consider longer term scenarios and possible energy transition pathways 	<p>Pages 60-61</p> <p>Page 20 Climate response report*</p>
Transition or physical climate-related risks identified	<p>The transition to a lower carbon economy presents both risks and significant business opportunities for Petrofac. Climate-related physical and transition risks are managed and reported as part of the Group's risk management framework. We actively manage climate-related physical and transition risks, ranging from the increased potential for extreme weather events to disrupt our operations, to the evolving policy landscape that may impact the Group, such as carbon taxation or more restrictive emissions legislation.</p>	<p>Pages 60-61</p> <p>Page 150</p> <p>Page 23 Climate response report*</p>
Transition or physical climate-related opportunities identified	<p>Climate-related risks and opportunities associated with the energy transition, such as changing energy usage and the shift to a low carbon economy were taken into consideration alongside other inputs in developing our New Energies strategy.</p>	<p>Page 10</p> <p>Pages 26-29</p>

Recommendation	Response	Disclosure location
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning		
Impact on strategy, business, and financial planning	The potential implications of climate change and the energy transition building momentum are described in the Market Outlook and New Energies sections of our Strategic report.	Pages 13-15
	We have reviewed the renewables and low carbon sectors in depth to identify where our technical expertise and delivery experience would be the most valuable to clients. And, are aligning our experience in high voltage systems, offshore platforms, gas processing, clean fuels and grey hydrogen to where clients need our ability to integrate and manage risk around large complex capital project delivery. As a result, we are focusing our New Energies strategy on Offshore Wind, Carbon Capture Utilization and Storage (CCUS), Hydrogen, Waste-to-Value and Emissions Reduction.	Pages 26-29
	In addition to advancing New Energies, The Group's ambition is to become a Net Zero company by 2030 (scope 1 & 2 emissions). The Group's current climate change strategy focuses on reducing GHG emissions, investing in low emission technologies, supporting emission reductions in the value chain and promoting product stewardship, managing climate-related risk and opportunity, and working with others to enhance the global policy and market response.	Pages 33-36
	Petrofac is also progressing a scope 3 emissions programme, engaging our value chain on decarbonisation strategies to enable their low carbon ambitions.	Page 66
	We have started to consider the impact of climate-related issues on our financial planning, for example de-risking financial assumptions and contract renewal terms against possible carbon taxation for our producing assets in Malaysia. We aim to further enhance our processes and assurance as we mature our understanding of the risks, opportunities and interdependencies of climate-related issues on the business.	Pages 16-17 Climate response report*
Impact on products and services	To achieve our Net Zero ambition, we recognise that much of our workforce will need to have additional skills and capabilities. For example, In the UK in 2021 we set up an internal Taskforce to create the right climate across our workforce, to ensure it has the right skills and capabilities.	Pages 52-53
	One of the programmes under implementation is a competency mapping exercise, to understand what transferable skills we already have and what skills will be required to support the Transition and ensure alignment with Government and Industry initiatives and client requirements.	Pages 16 and 18 Climate response report*
Impact on our supply chain	A programme was commenced targeting the most carbon intensive parts of our supply chain (eg. steel, cement, copper, logistics). Our Net Zero supply chain workstream conducted surveys with more than 300 suppliers and encouraging them to make their own GHG emission reduction targets and decarbonisation plans. Climate-related risks are also built into our supply chain due diligence.	Page 18
	We are also reducing our reliance on international supply chains, matching local suppliers with project opportunities, and improving our logistics efficiencies, carbon footprint and supply chain resilience.	Page 23 Pages 34-36 Pages 53-54 Page 18 Climate response report*
Impact on our offices	Purchased energy emissions comprise 4% of our total carbon footprint. Our target is to progressively transition to 20% renewable energy by 2030 and we are pursuing opportunities to switch to renewable energy across the Group.	Pages 33-36
	Most of our UK offices and facilities switched to renewable power in 2021 and we have put in place transition plans for our other permanent offices globally. We have also developed a green building standard to enhance our building selection process and promote more sustainable offices. Our UK offices have also undertaken Energy Savings Opportunity Scheme assessments, and have improvement plans in place.	Page 16 Climate response report*

Recommendation	Response	Disclosure location
Impact on operations	<p>Our production operations account for 88% of our total carbon footprint, largely due to flaring, venting, fugitive emissions and fuel gas. Our aim is to deliver a 25% reduction in emissions by 2030 through operational improvements, gas shut-off and power generation changes. We are also targeting a 30% reduction in emissions intensity by 2030 from our construction operations through savings from energy efficiency and hybrid power generation initiatives.</p> <p>In 2021 we commenced a programme to review the operation of our site facilities and offices to identify opportunities to decarbonise. For example, we completed development of a low carbon specification for our construction camps, developed low carbon construction execution methods, and commenced changes to our supply chain systems to promote the use of low carbon intensity goods and services.</p>	<p>Pages 33-36</p> <p>Pages 16-17 Climate response report*</p>
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario		
Embedding climate into scenario analysis	We believe our strategy is resilient to the range of energy transition pathways and scenarios including the pledges made at COP26 in Glasgow and the targets support the principles of the Paris Climate Agreement, see Strategic report: Market outlook.	<p>Pages 13-15</p> <p>Pages 16-17 Climate response report*</p>
How we factor in evolving government policy	<p>We regularly engage with policy makers, contributing to their public consultation programmes, offering our expertise, and incorporating evolving developments into our strategy and scenario planning. For example, we engage on a regular basis with UK and Scottish Government departments. The Department of Business, Energy, and Industrial Strategy (BEIS) and the Department of International Trade (DIT) are key interlocutors.</p> <p>2021 was a year the UK Government issued a raft of policies in support of the Energy Transition including the Hydrogen Strategy, the Net Zero Review, the Industrial Decarbonisation Strategy, and the Biomass Strategy. Petrofac engaged with Government at various levels across all these developments.</p> <p>We seconded an employee one day a week for 3 months to a BEIS Working Group set up by the Energy Minister, to develop and maximise the carbon capture utilisation and storage (CCUS) supply chain in the UK and support the Government's consultations on low carbon business models.</p> <p>The Group are also represented on a number of Working Groups with Government and stakeholder organisations ie BEIS Technical Expert Group for CCUS business models and the Sustainable Aviation Fuel Delivery Group.</p>	<p>Pages 22-25</p> <p>Page 10 Climate response report*</p>
How we collaborate with industry to build resilience	<p>We believe substantive input from Industry and other stakeholder organisations leads to better outcomes on evolving policy, practice, and standards.</p> <p>In 2021 we undertook and supported a variety of collaborative initiatives as members of various industry trade bodies such as Oil and Gas UK, Renewable UK and the EIC and organisations specific to the new low carbon technologies such as Global CCUS, Wind Europe, NECCUS and the Hydrogen Fuel Cell Association and Hydrogen Strategy Now campaign.</p> <p>Examples of our engagement included:</p> <ul style="list-style-type: none"> – Participating as a Board member on the Energy and Climate Change Board at the CBI, which sets the agenda on climate and energy issues and works to influence Government policy on moving urgently towards a low carbon future. – Participation on the UK-UAE Business Council Climate Change and Energy Board to stimulate bilateral trade between the two countries. 	<p>Pages 22-25</p> <p>Page 14 Climate response report*</p>
Ensuring continued relevance of our strategies	<p>The Group continues to develop its assessment of the potential impacts of climate change and the transition to a low carbon economy. Evolving changes to global climate change strategy or decarbonisation milestones are continuously monitored by the Net Zero Steering Group and the TCFD Working Group.</p> <p>As part of our governance processes our strategy is validated annually by the Board to ensure it remains relevant and resilient. As our approach matures, we will look to begin incorporating greater financial quantification and internal assurance into our climate risk analysis.</p>	<p>Page 150</p> <p>Pages 66-67</p>

Recommendation	Response	Disclosure location
RISK MANAGEMENT		
a) Describe the organisation's processes for identifying and assessing climate-related risks		
Process	<p>Our risk management framework provides us with a consistent approach to identify, manage and oversee the risks that may impact our business. Effective risk analysis and response underpin our ability to achieve our objectives and assess opportunities as our business evolves.</p> <p>In 2021, risk and opportunity meetings were held with key functions to identify climate-related risks, update and revalidate the existing assessments, review progress closing out actions and review resilience, agreeing any further actions required.</p> <p>We are integrating climate risk into the supporting policies, processes, and controls for our key climate risks, and we will continue to update these as our climate risk management capabilities mature over time.</p>	<p>Pages 60-62</p> <p>Page 66</p> <p>Pages 20-24 Climate response report*</p>
b) Describe the organisation's processes for managing climate-related risks		
Process	<p>Our risk management framework provides us with a consistent approach to identify, manage, and oversee climate-related risks that may impact our business and is designed to underpin the Group's longer-term sustainability. For further detail see Strategic report: Risk management.</p> <p>As part of our business planning process, we review the Group's principal risks and uncertainties quarterly. The Energy Transition emerging risk was identified in 2019 and embedded as a sub-risk under the principal risk 'Failure to deliver strategic initiatives' in 2020. This risk was reclassified as a standalone emerging risk in 2021 and reworded as 'Failure to deliver New Energy Services (NES) strategy' reflecting the establishment of NES. This covers various aspects of how risks associated with the energy transition could manifest. Similarly, physical climate-related risks such as extreme weather are covered in our principal risks related to HSSE incidents.</p> <p>Identified risks are prioritised in terms of their materiality, enabling decisions on the adequacy of our controls and the most appropriate and cost-effective response calibrated to the risk appetite of the Group.</p>	<p>Pages 60-62</p> <p>Pages 66-67</p> <p>Pages 20-24 Climate response report*</p>
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management framework		
Implemented risk management	<p>Transition and physical climate-related risks are identified, assessed, and managed across the Group, addressing issues such as evolving policy, threat of legal action, market changes, reputational issues, and extreme weather.</p> <p>Examples of how risks are integrated into overall risk management include:</p> <ul style="list-style-type: none"> – Policy risks – Government consultation and advocacy strategy that supports appropriate climate action while providing stability for business. In 2021 we closely monitored the policy landscape in core geographies to ensure business preparedness, including de-risking asset financial assumptions against potential policy shifts. – Market risks – A New Energy Services (NES) business line was created in 2021 to build capability to advance the company's position within the energy transition and target a greater market share of non-O&G projects. – Production risks – to reduce our flaring and fugitive emissions, gas management plans were implemented in 2021, focusing on: gas shut-off improvements to reservoir management reduce the gas going to flare and action on methane to detect and reduce fugitive emissions. – Fines or other regulatory penalties – whilst difficult to predict how these might crystallise, the base case cost contingencies and downside adjustments aim to capture any exposure here as well as other legal / regulatory risks on other aspects of the business. We undertake a periodic review of the voluntary carbon offset market to have visibility of future offset costs and on current assessment. – Extreme weather – in the base case, the business' budgets are built up with the industry knowledge of operating in extreme weather conditions (North Sea, Malaysian monsoons, deserts, etc) and contingencies are included accordingly, whether by way of cost or scheduling contingencies or both. In the downside scenario, the business has captured the risk of further downside within the scheduling delays and cost overruns in E&C, margin reduction in Asset Solutions and production downside in IES. 	<p>Pages 34-36</p> <p>Page 66</p> <p>Page 150</p> <p>Page 23 Climate response report*</p>

Recommendation	Response	Disclosure location
METRICS AND TARGETS		
a) Disclose the metrics used by the organisation to assess climate-related risk and opportunities in line with its strategy and risk management process		
Our business performance	Petrofac sets key performance (KPI) targets for business performance and delivery of our strategy and assesses progress against these benchmarks on a regular basis.	Pages 20-21 Page 76
Price assumptions	<p>A range of probable price scenarios have been selected for carbon offset calculations and the voluntary offset market monitored to inform our future offset strategy.</p> <p>The BloombergNEF Long-Term Carbon Offset Outlook will be utilised as a primary indicator of the evolving prices of offsets input into future offset price assumptions to account for the cost of achieving Net Zero.</p>	
Sustainability, water and biodiversity metrics	<p>A priority for 2021 was to embed our newly launched sustainability strategy, introducing the ESG goals to our people and stakeholders. Performance in delivering this strategy is gauged by a range of metrics aligned to our sustainability ambitions and material issues.</p> <p>Each year, we also produce an ESG datasheet that aims to provide a consolidated overview of Petrofac's non-financial performance. Metrics included in this datasheet cover our activities during the period 1 January to 31 December for the years indicated.</p>	<p>Pages 32-36</p> <p>Pages 3-4 ESG Datasheet</p>
Board or senior management incentives	<p>Line management ownership of carbon was promoted in 2021 through embedding a range of KPIs into senior management goal plans such as GHG intensity reduction, CDP rating score and TCFD recommendations compliance.</p> <p>Development of a broader range of KPIs was completed in 2021 for 2022 implementation, covering delivery of our Net Zero programme. Metrics include supply chain decarbonisation, targets for incorporating low carbon services into bids/tenders, and proportion of energy purchased from renewable sources.</p>	<p>Page 10</p> <p>Pages 116-127</p>
b) Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas emissions and the related risks		
Our own operations	We report scope 1 and 2 greenhouse gas emissions resulting from our operations and each year submit to the Carbon Disclosure Project (CDP). We also calculate our carbon footprint and energy consumption in accordance with the new UK Streamlined Energy and Carbon Reporting (SECR) regulations, and our data is assured and verified by an independent AA1000 licensed assurance provider.	<p>Pages 32-33</p> <p>Pages 3-4 ESG Datasheet</p>
Our value chain	We recognise that the emissions from our value chain are a material part of our carbon footprint and, in 2021, we initiated a Scope 3 programme to better understand the related decarbonisation challenges and opportunities. This first cut analysis assessed our emissions across all but one of the material Scope 3 categories (Category: Use of sold products, will be included in the 2022 assessment).	<p>Pages 35-36</p> <p>Pages 3-4 ESG Datasheet</p>
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets		
Sustainability Net Zero targets	<p>In 2020 we committed to transition to a lower carbon business. To this end, we aim to reach Net Zero¹ in our Scope 1 and 2 emissions by 2030 and are promoting decarbonisation across our supply chain. Targets cover our main decarbonisation levers and include:</p> <ul style="list-style-type: none"> – Energy supply changes – progressively transition to 20% renewable energy by 2023, and 50% by 2030. – Energy efficiencies – 30% energy consumption saving by 2030. – Emissions reduction – Our aim is to deliver a 25% reduction in emissions by 2030. – Transport – we are targeting a 30% reduction in transport emissions by 2030. 	<p>Pages 32-36</p> <p>Page 150</p> <p>Pages 16-17 Climate response report*</p> <p>Pages 3-4 ESG Datasheet</p>

Social

Why this is important to our business model and strategy

As a service business, it is our people, their attitude and skills who set us apart from our competitors. We are therefore committed to building a diverse workforce, which is representative of the communities in which we operate, while developing all our people, keeping them safe, and looking out for their wellbeing.

Wherever the Company operates, we are committed to creating shared value, by engaging with local communities, investing in local supply chains, employing local people, and stimulating local economies. As well as being the right thing to do, we see the creation of in-country value (ICV) as a source of competitive advantage, helping us to build strong client relationships and bid on challenging projects, while benefiting from the economies of delivering locally.

Because we operate in challenging environments, where the rights and welfare of workers can sometimes be at risk, we are committed to protecting human rights throughout our business operations and extended supply chain, ensuring that everyone who works with and for us is treated with respect, fairness, and dignity.



Our GC-32 project in Kuwait received three ASSP HSE Golden Awards



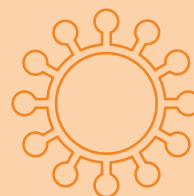
16 years without an LTI on the North Sea Kittiwake platform



Accredited Living Wage employee in the UK



We have set a target of 30% of women in senior management roles by 2025



Provided 7,200 COVID-19 vaccines for marginalised people in India



US\$60m of orders placed with Omani vendors

Gender profile of our people (%) Employees

M	86
F	14
Leadership	
M	74
F	26

Lost time injury frequency rate

2019	0.013
2020	0.013
2021	0.018

Age profile of our people (%)

<30	11
30-39	31
40-49	33
50-59	21
>60	4

Recordable incident frequency rate

2019	0.06
2020	0.065
2021	0.091

Grade profile of our people (%)

Executive	1
Management	10
Supervisory	25
Professional	46
Support	18

% Spend on local goods and services* (%)

2019	41
2020	53
2021	54

* Non-JV projects

Health, safety and security

Whatever their role and wherever they work, we want everyone involved with Petrofac to feel safe, valued, and cared for. Ultimately, our aim is for zero safety incidents, as reflected in the name of our Horizon Zero global safety campaign – which we see as an entirely realistic goal.

Although our overall safety record is among the strongest in the industry, our performance during 2020 and the start of 2021 had seen a slight deterioration, primarily due to the operational challenges the COVID-19 pandemic placed on the business. The emphasis for 2021 was to bring more consistency, so that the same uncompromising safety culture exists across the entire Group, and the same impeccable standards are applied on every site.

Health and safety

From a safety management perspective, 2021 was another challenging year.

Once again, our health and safety teams were focused on how best to continue our operations, while protecting our people and partners from the virus. This included compliance with local requirements and international guidelines, the restrictions on travel, the enforcement of social distancing, and the acceleration of vaccination programmes.

The situation was exacerbated by the fact that many of our people had to work extended rotations on sites and were kept apart from family and friends for long periods of time. Inevitably, this had an impact on their engagement levels, situational awareness, and overall health and wellbeing.

Tragically, we reported one fatality. In Thailand, on the Sriracha Refinery project, a woman employed by one of our contractors died when she was digging around three piles and one of the pile heads collapsed. The incident was investigated in detail and reviewed by senior management and, separately, by the Board. The lessons learnt were fed back into our ongoing safety programmes.

Despite our precautions, we tragically lost a further 11 colleagues to COVID-19, demonstrating how dangerous the virus can be.

In terms of broader indicators:

- Lost time injury (LTI) frequency rate – increased to 0.018 per 200,000 work hours, compared to an industry average of 0.044 (International Association of Oil and Gas Producers 2020)
- Recordable incident frequency rate – increased to 0.091 per 200,000 work hours, compared to an industry average of 0.14 (International Association of Oil and Gas Producers 2020)

While these rates did increase, the number of incidents remained low, and their prevalence was comparable with 2020. Also, with most of the LTIs taking place during the first six months of 2021 (seven out of a total of nine), our performance showed signs of improvement during the second half of the year. With a refreshed HSE leadership and strategy in place, we are optimistic that these improvements will continue into 2022.

Some of the more significant achievements in the year include:

- 16 years without an LTI on the Kittiwake platform in the North Sea
- 13 years without an LTI on the Jasmine FPF003 FPSO offshore Thailand
- The team delivering the Visakh Refinery in Andhra Pradesh, India, surpassed 10 million work hours without an LTI
- The Ithaca Integrated Services Contract team on the Alba, Captain and Erskine platforms in the North Sea went 365 days LTI-free
- Our GC-32 project in Kuwait received Golden Awards in three categories (HSE Excellence, Environmental Excellence, and Management of Driving Safety) from the American Society of Safety Professionals in the ASSP HSE Excellence Awards 2021

Strong new leadership

An important development for 2021 was the appointment of Jim Andrews as Group Head of Health, Safety and Environment (HSE).

His aim is to build on Petrofac's already strong safety record with the launch of a refreshed HSE strategy – including the deployment of more digital tools, enhanced employee engagement, and an increased use of data and analytics to understand and address safety risks before they materialise.



Whatever their role and wherever they work, we want everyone involved with Petrofac to feel safe, valued, and cared for."





▲ Kittiwake: 16 years without a single lost time incident

Petrofac has been Duty Holder on the Kittiwake platform in the North Sea since 2003 and, in 2021, we secured another one-year contract extension from EnQuest the asset owner. One of the characteristics of the team has always been its uncompromising attitude to safety, and the latest safety milestone is 16 years without a single lost time incident.

“A truly remarkable credit to everyone who has spent time here. Whether it was a flying visit for a couple of days or being part of the team for all of the 16 years, everyone has played a part. It is everyone’s responsibility to look after ourselves and each other. Kittiwake is big on team spirit. It always has been, and long may that continue.”

Stuart Fraser
Offshore Installation Manager

Making better use of digital platforms

An important theme for the year was to get more value from digital technologies and analytical techniques, to help us understand our vulnerabilities, predict emerging issues, and inform our decision making.

Examples include a new data collection and reporting tool and the introduction of a Group-wide digital safety dashboard, which gives all employees real-time visibility of our safety performance. Several of the initiatives from 2020 also became more deeply embedded during 2021, including:

- **HSE Deep Dives** – regular sessions with senior leaders to identify and address any potential barriers to safe and healthy working
- **Life Saving Rules e-learning** – a mandatory course for all employees, partners and subcontractors, incorporating videos in English, Hindi, Russian, and Arabic
- **Behavioural-based training** – a number of training programmes, including our HSE Bootcamp for supervisors and mental health awareness modules
- **Virtual site audits** – more formal use of virtual tools to conduct HSE audits and Petrofac Assurance Index audits

Stepping up our health and wellbeing programmes

Given that most site-based employees had to contend with extended rotations, and most office-based staff worked remotely for most of the year, mental health and wellbeing continued to be a major focus. To supplement our awareness programmes and our Employee Assistance programme, new initiatives for 2021 included:

- **Virtual social breaks** – online sessions for employees and leaders to talk and socialise, with the one rule, no discussion could be work-related
- **Mental health webinars** – to raise awareness of key challenges, and discuss potential solutions
- **Self-care challenges** – to promote the use of simple self-care actions that can be fitted into everyday working schedules, such as yoga, healthy eating, sleep, and stress reduction

Catching up virtually

With so many of our employees working from home, we wanted to replicate some of those casual office chats, when we catch up informally with colleagues. Meanwhile, our senior leaders were looking for new ways to engage with their teams and keep in touch with the mood of the organisation. So, we ran a series of virtual social breaks, hosted by our senior leaders, who had just one rule to follow – no discussions could be work-related.

The Virtual Social Breaks were full of laughter and inspiration, as people shared their personal stories, goals, hobbies, passions and more, giving everyone the chance to get to know each other better.

Protecting our people from COVID

One of the ways we protected our people from the threat of COVID-19 was to work with public and private healthcare providers to orchestrate and accelerate vaccination programmes.

A good example was at one of our projects where, in the second quarter of 2021, we were challenged by a major outbreak involving nearly 300 positive cases. Over a two-month period, we brought this under control by fast-tracking the vaccination programme, thereby protecting our people, and avoiding further operational disruption.

Setting out our 2022 priorities

During 2021, under our new HSE leadership, we developed and agreed a new HSE strategy, which will be implemented in 2022. This is based around five pillars:

- 1. Leadership** – the shadow you cast
- 2. Employee engagement** – greater engagement, fewer incidents
- 3. Contractor management** – consistency and performance driven
- 4. Training** – formalise, simplify and standardise, with a refreshed learner experience
- 5. Compliance** – do it right, first time

The major themes of the strategy, which will feed into 2022 activities, include:

- **Data-2-Decisions** – using data and analytics from key leading and lagging indicators to define areas of focus and reduce incidents
- **Technology enabled** – extensive use of mobile technology to increase situational awareness
- **Engagement and communication** – engaging, insightful, focused and even fun
- **Proactive vs. reactive** – observations and interventions before an incident occurs
- **Accountability** – the joint ownership of HSE performance by line management and the HSE function

Asset integrity

Our aim is to design, build and operate energy assets that are safe, reliable, and meet or exceed their operational purpose. We generally work with high-hazard facilities, maintaining the right mindset, backed up by disciplined processes and controls, is critical to our success – as well as the safety of our people and our clients.

In 2021, the Group was responsible for managing and ensuring the integrity of 14 operating assets. This work also informs our wider operations, including our approach to designing, building, commissioning, and completing projects. With a renewed demand among clients for integrated service offerings, our asset integrity expertise positions Petrofac to provide more managed integrity services.

Reflecting on our 2021 performance

In evaluating our asset integrity performance, our main area of focus is managing process safety hazards, reducing high-potential incidents (HiPos) and those incidents that involve process safety procedures.

In 2021, we did not experience any asset integrity-related HiPos (compared with six HiPos across all operations and projects in 2020). However, we did conduct a small number of serious investigations into incidents that did have asset integrity implications, and may therefore have been indicative of a failure to follow our asset integrity procedures.

Getting value from a new suite of digital tools

As with other areas of the business, we deployed more digital tools during 2021. These included:

- **Asset integrity dashboard** – we continued to gain experience of the new asset integrity KPI dashboard, refine the way we use it, and increase the value it creates. We reviewed not just the number of indicators but the interplay between them. As the enhancements take effect, we expect to get a better understanding of cumulative asset integrity risks.
- **Remote asset integrity reviews** – we refined and improved our ability to meaningfully conduct remote asset integrity reviews using a variety of mobile and digital tools, which should increase our efficiency and accuracy of reviews going forward.

The use of digital tools will continue to be prioritised in 2022. This will help us to maintain our leadership commitment to asset integrity, engage more of our people with the value created, refine and simplify our asset integrity KPIs, and extend the learnings from our regular programme of investigations and our audits. Going forward, and enabled by meaningful real-time data, our assurance activities can be targeted more efficiently, based on an accurate and up-to-date understanding of the true condition of each asset.

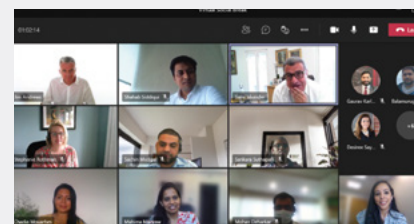


95% said the programme helped them improve their approach to self-care.”

▼ Taking better care of ourselves

We wanted to encourage all our people to take some time out of their working days to focus on their health and wellbeing. So, we launched a 10-day programme of simple self-care challenges. Around 500 people enrolled and each day they received an email, offering tips and techniques to take better care of themselves, and suggesting simple activities to fit into their everyday working lives, like healthy eating, breathing exercises, and more.

This programme was extremely well received – 99% of participants rated the daily emails as good or excellent, 95% said the programme helped them improve their approach to self-care, and 78% completed most of the practical challenges.



Security and crisis management

Remaining responsive to a fast-changing security environment

Petrofac works in challenging environments with fast-changing security issues. Our aim is to protect our employees and assets in a responsible manner, and to prevent any security-related disruption.

Our security and crisis management teams are closely integrated into the wider HSE community. Our Security Policy sets out the responsibilities of our senior management team and our business units and, with regard to crisis management, we aim to operate to the same standard as ISO 22301:2019.

Refreshing and renewing

In the wake of the COVID-19 pandemic, the Security and Crisis Management function began the process of reviewing approaches in our existing projects and incorporating the lessons learnt around digital and remote working technologies. Meanwhile, our traditional three-tier crisis management system is being incorporated into a digital platform to bring new efficiencies, and reduce the burden on any teams working in a crisis situation.

Looking ahead to 2022

In many countries, the recovery from the COVID-19 pandemic is likely to be slow and bumpy. The Petrofac security team will therefore review all plans and procedures as sites return to normal working routines, and ensure they respond to any changes in the security environment.

We envisage disruption to the global travel system will continue into at least the first quarter of 2022, which adds to the pressure on our teams. As this eases, the focus can return to project delivery.

Cyber-security and data protection

Remaining cyber-resilient and continuing to improve our cyber-security readiness

In response to rapidly evolving cyber-security risks, and to support Petrofac's wider digitalisation initiatives, cyber-security and data protection continued to be an area of focus.

During 2021, we stepped up the focus on our own supply chain risks, engaging with key vendors, subcontractors and suppliers to ensure that cyber-security risks are mitigated across the supply chain. Meanwhile, we continue to align our information security management practice with the ISO27001 standard and other best practices.

Related initiatives included:

- Continuing to enhance our threat detection and threat-hunting capabilities, with a greater focus on artificial intelligence and machine learning-based detection systems
- Continuing to test and improve cyber incident response and resilience planning
- Enhancing our awareness programmes for vendors, sub-contractors and suppliers to further mitigate third-party cyber-security risks and create a culture of cyber risk awareness across our supply chain
- Continuing our phishing simulation tests and enhancing our awareness programme with more 'snackable content' (such as micro-videos) to ensure our employees remain aware of the latest phishing techniques and to create a strong and dynamic cyber-security culture
- Continuing the assessment of cyber-security risks with regular vulnerability assessments, penetration tests and Red Team exercises

Meanwhile, cyber-security remained a key priority in all our digitalisation initiatives, and we ensure that effective cyber-security architecture is embedded from the initial ideation and conceptual phases.



Petrofac works in challenging environments with fast-changing security issues.”

People

Given the continuing impact of the COVID-19 pandemic, 2021 was another challenging year for Petrofac from the people perspective.

It was necessary to further reduce our labour costs and put extra resources into protecting the mental and physical wellbeing of our people. We were able to make some encouraging progress with several of our planned HR initiatives – including the launch of our new values and behaviours, several new training and development initiatives, and continued progress with our diversity and inclusion programme.

Addressing the challenges of 2021

Given the market conditions, our project-based E&C business was hit hard, and we had to bring a significant reduction to our related headcount. By comparison, our Asset Solutions business fared well, enabling modest growth to the size of our UK-based teams.

Overall, temporary and permanent employment reduced by 1,207 in 2021, down to 8,219 people, representing a 13% decrease on 2020.

Making progress on diversity and inclusion

In 2021, we further increased our focus on diversity and inclusion, building on past achievements, introducing new initiatives, and setting more ambitious targets.

Although we have a long way to go, we are committed to being a more diverse company, which embraces differing perspectives, is representative of the communities in which we operate, and provides equal opportunities to all employees and job applicants.

Key developments and achievements include:

Achieving a better gender balance

Given the nature of our business and the location of many of our operations, achieving a better gender balance is a challenge.

One focus is our senior management positions. In 2021, women accounted for 25% of our senior managers, up from 6% in 2018. Given this progress, we brought our target of 30% of women in senior management roles forward by five years – from 2030 to 2025.

As well as building diversity from within, we have mandated that at least one woman is included on the final interview shortlist for all external recruitment into middle and senior management roles. Since 2020, the proportion of women recruited externally into senior management roles has increased from 6% to 26%.

- **More ambitious targets:** 30% of women in senior management by 2025 moved forward by five years
- **A four-fold increase:** Up from 6% to 26% externally hired women appointed into senior management positions
- **Parity in our graduates:** 46% women in the 2020 graduate engineering intake

Representing the communities in which we operate

Comprising more than 60 nationalities, one of Petrofac's strengths has always been its ethnic diversity. However, we do want our workforce to be more representative of the communities in which we operate, especially at senior management levels. During 2021, we made a series of significant hires, including the appointment of five local nationals as country managers in India, Indonesia, Libya, Mozambique, and Oman.

Giving voice to diverse viewpoints

To ensure that the Company hears and engages with a wider spectrum of viewpoints, we established two new global employee network groups – a Women's Group and a Pride Group.

Getting a more granular understanding of our performance

Across our UK operations, we invited all employees to add ethnic origin information to their HR records. Based on best practice, this was a voluntary exercise, and the information will only ever be used to analyse trends, not identify individuals. This data will enable us to better monitor and minimise the risks of any bias in our recruitment, training, development, reward, and other processes.

Adding to a solid foundation

The 2021 initiatives supplement a pre-existing programme. In 2020, for example, we appointed our first Global Head of Diversity and Inclusion, as well as two Diversity Champions in the leadership team. We also have a mandatory diversity and inclusion e-learning programme, and each member of the Group Executive Committee mentored two high potential female employees.



▲ Championing the views of employees from across the Group

One of the ways we engage with and hold conversations with our workforce is our Petrofac Workforce Forum.

Established in 2019, the Petrofac Workforce Forum builds on the framework set out in the UK Corporate Governance Code, and the approach we took is relatively progressive. Meeting with the Board and the Executive team twice a year, the Workforce Forum comprises 12 employee representatives from across the Group.

The Workforce Forum enables the Board and the Executive team to understand the mood of the workforce, better understand their ideas, concerns, and perspective, plus ascertain what it is about Petrofac that motivates and engages them. It has also played an important role in helping us navigate the recent challenges arising from the COVID-19 pandemic – for example, by giving us deeper insights into the everyday realities of those people who have had to work on extended rotations in remote areas.

2022 marks the end of the three-year term of the first Workforce Forum representatives. Nominations and elections will be held early in 2022 for the second term. Given the success of the initiative and its high profile within the Group, we expect this to have many new nominations and a lively election process. René Médori has stated: "I am constantly impressed by the quality of the dialogue, and I know the entire Board values the insights it brings".

Developing a performance culture

As part of the rebalancing and reshaping of Petrofac, a new set of behaviours were defined, aligned with our new values. These were integrated into our performance management systems and professional development programmes in 2021. The five behaviours are:

- **Collaborating with purpose** – we bring people together to share knowledge, co-create solutions and deliver the best business outcome for everyone
- **Taking ownership** – we lead work to completion, take responsibility for decisions, represent the organisation and do not tolerate unethical behaviour
- **Building relationships with integrity** – we have respectful relationships, we build a climate of trust, and foster an environment where we can constructively challenge and resolve conflict
- **Coaching, developing and empowering** – we encourage our people to grow, acquire the confidence and skills to make accountable decisions, and provide opportunities to progress
- **Driving positive change** – we embrace change, encourage constant improvement and, where appropriate, challenge the status quo

The behaviours have been incorporated into our employee goal plans, which means that they are now factored into mid-year reviews and year-end appraisals. To continue the process, and fully embed the new values and behaviours, we intend to make better use of our digital HR tools, and enable more of a coaching culture among our managers.

Investing in training and development

We continued to evolve our training and professional development programmes, including our early career education initiatives, our Leadership Excellence Programme and our Petrofac Academy online distance learning programmes. Highlights of the year included:

Welcoming back our first cohort of Master's graduates

Back in 2020, one of the ways we responded to the COVID-19 pandemic was to work with the American University of Beirut to sponsor a first-of-its-kind Master's programme in Engineering Management.

As an alternative to redundancy, we offered talented young engineers the opportunity to join the programme, with Petrofac paying tuition fees and covering subsistence costs. The first cohort of 46 students graduated in 2021, 41 of whom rejoined the Company. The second cohort of more than 30 people is due to graduate in 2022.

Extending our successful apprenticeship programmes

In the UK, one of the ways that we attract and develop the next generation of our workforce is through our Offshore Apprenticeship programme. In 2021, we welcomed six new apprentices, taking the total number recruited since 2016 to more than 60.

This four-year programme equips young people for a career in the energy industry in either mechanical maintenance, electrical maintenance, or instrumentation and control maintenance. Each apprentice initially spend two years at college before spending a further two years offshore.

Helping people improve their everyday effectiveness

Meetings are an essential part of how we operate at Petrofac, helping us to share information, solve problems, collaborate and build camaraderie. So, any improvement in the way we manage meetings helps us to generate better ideas, make better decisions and produce better work.

To this end, we introduced a new remote training module on meeting etiquette and effectiveness. Completed by more than 500 people, this received exceptionally high ratings from almost all participants.

Focusing on employee engagement

We have a number of mechanisms and programmes to support and monitor employee engagement, build on strengths and address concerns. For example:

Maintaining an open, two-way conversation – the Petrofac Workforce Forum is an important route for the Board and the leadership team to get deeper insights into the opinions of our people (see page 49).

Keeping track of attitudes and opinions – each year we ask all employees to participate in PetroVoices, our confidential employee engagement survey, run by an independent third party (Willis Towers Watson). In 2021, the participation rate increased to 65%, up from 59% in 2020. The results were strong, with most metrics scoring at more than 80%, but we did see an across-the-board drop of a few percentage points.

We believe this is in part due to the difficult market conditions, the ongoing ramifications of the COVID-19 pandemic, and the impact on Petrofac. However, we are charging all senior leaders to produce action plans for the top three topics in their respective areas. These plans will be reviewed by the leadership team with a view to implementing improvements throughout 2022.





Recognising and rewarding our people

It is important to Petrofac that all our people are appropriately rewarded.

In 2021, we made several changes, including:

- **Becoming a real Living Wage employer** – in the UK, we committed to paying at least the real Living Wage to all employees.
- **Introducing a new recognition scheme** – we launched an additional Groupwide recognition scheme. This enables line managers to instantly reward colleagues who are exceptional role models and live our values with a cash award of US\$100 to US\$250 or a spot bonus, equivalent to one month's salary. In the first month alone, 242 of these awards were made.
- **Reducing working hours in the UAE** – for employees based in our Sharjah office, to coincide with the national shift to a Saturday-Sunday weekend, we decided to reduce our own working week from 45 hours to 40 hours with no loss of pay, with effect from 1 January 2022

- **Introducing Total Reward Statements** – we issued Total Reward Statements, which clearly itemise the full range and value of the benefits and remuneration our employees receive
- **Bringing parity to all UK-based employees** – again in the UK, we eliminated legacy differences in some employees' terms and conditions. For the vast majority of employees, this meant that the standard holiday entitlement increased from 25 to 28 days, and that maternity and paternity benefits also improved.



▲ Paying the real Living Wage

In 2021, Petrofac committed to being a real Living Wage employer, and in early 2022 we made our application to the Living Wage Foundation.

Wherever we operate, we want to be seen as a good employer offering competitive rates and conditions. And, irrespective of their role, location, or seniority, we want all our people to enjoy dignified working conditions and a decent standard of living.

By applying to become a real Living Wage Employer, we will be accredited by the real Living Wage Foundation which, each year, calculates the hourly wage that a UK family needs to live on, based on the cost of a basket of household goods and services. This wage is considerably higher than statutory requirements.

Importantly, the commitment will extend to all UK-based employees. It will also cover indirect employees, such as temporary or agency staff, as well as any interns or placements.

Community engagement

Making a positive contribution to our local communities

Our local delivery model is a key differentiator for Petrofac and, wherever we work, we want local communities to benefit from our presence. We therefore engage with local stakeholders to better understand and manage the social impacts of our business, address any concerns they may have about our work, and maximise the benefits we are able to bring to their communities.

The Petrofac Social Performance Framework governs the way we approach community engagement. It consists of our Social Performance Standard and a set of guidelines that enable us to meet the commitments set out in the Petrofac Ethical, Social and Regulatory Risk Policy.

Enhancing our approach to social investment

In 2021, we updated our social investment guidelines to ensure that our activities create value for both Petrofac and the recipients, are conducted in compliance with our Code of Conduct, and are subject to rigour and transparency.

These guidelines explain that our social investment initiatives should be consistent with three strategic priorities:

1. Promote STEM (science, technology, engineering and mathematics) education, and improve educational access and employability
2. Contribute to community improvement, capacity building and disaster relief
3. Support a just transition as the energy sector evolves and reduces its carbon intensity

We also provided more clarity on the types of initiatives that are eligible for support and tightened our due diligence processes. Across the Group, training on the new guidelines was delivered to all corporate social responsibility representatives and will be extended to country managers and project managers in 2022.

Extending our support of COVID-19 response initiatives

During 2021, we continued to support several COVID-19 response initiatives, including:

- **Algeria** – we donated 220 oxygen concentrators for the Ministry of Health, with 40 of the units dedicated for use in Illizi province to support the communities local to our Tinrhet project
- **India** – our Mumbai operations hub worked with a local charity, Samhita's Collective Good Foundation, to support a community vaccination programme, providing vaccines for 7,200 people from marginalised and underprivileged communities
- **Thailand** – we supplied COVID-19 support bags to nearby villages to help those within the local community who needed to self-isolate and home quarantine

Algeria – supporting our local communities

Our Ain Tsila project teams assisted the nearby village of Tin Fouy. They donated medical equipment for its clinic, bought and installed air conditioning and heating systems for the elementary school, and a new sound system for its mosque.

India – supporting women's education and employability

There is a regulatory requirement for us to spend at least 2% of our revenues in India on social investments, equating to an investment of approximately US\$200,000 per annum. In 2021 the focus of our community engagement programmes continued to be the provision of training and employability skills for disadvantaged people, with a focus on young women.

From Mumbai, through the PanIT Alumni Reach for India Foundation (PARFI), we supported a one-year commis chef training programme for young women from disadvantaged communities, and successfully placed 61 of them in full-time hospitality jobs. As part of an empowerment programme for young women, our staff supported the Wavaloli Ashram school, contributing to educational resources and tuition fees.

Meanwhile, from Chennai, we financed the installation of a new hall at the Sri Ramakrishna Math school for underprivileged girls, extended our sponsorship of the Women's Organisation for Rural Development, and supported several projects run by Sevalaya, a local charity that provides skills and employability education in rural communities.



Oman – helping to recover from Cyclone Shaheen

In Oman, a focus of our community engagement activity was to assist the relief operation following Cyclone Shaheen, which swept through the Sultanate in October 2021. Through a fundraising appeal our employees, assisted with a Petrofac company donation, raised around US\$130,000 and partnered with the Oman Charitable Organization (OCO) to deliver relief, including the repair of vital infrastructure and delivery of emergency supplies. Our teams also helped on the frontline, supporting the local community by clearing storm-damaged properties.

Other social investments in Oman include initiatives from our Duqm project team, such as the construction of a sports ground, the provision of benches and shelters at a popular beach, and the donation of IT equipment to local schools.

Thailand – becoming an active member of the local community

In the Ban Thung and Ban Ao-Udom communities, adjacent to our Thai Oil refinery project, several community relations and youth development projects were sponsored. We supported weekly 'Big Cleaning' events, partnering with the community representatives to clean up neglected areas. We also supported several road safety campaigns to raise awareness of hazards and promote safe behaviours, with volunteers routinely supporting safe traffic management during rush hour. Meanwhile, our youth development activities included the sponsorship of an English language camp programme over seven months for 24 students aged 13 to 18 years.

UAE – supporting STEM education and research

We continued to support STEM education at the American University of Sharjah. The university's Renewable Energy Research Center (RERC), established in 2017, is backed by Petrofac, and supports 12 faculty members and research staff assistants working on new energies initiatives. We also sponsor a Research Chair in Renewable Energy and support several university events such as its open day, careers fair, and an environmental day.

To encourage breakthroughs in green energy, we also collaborated with the Middle East and Africa Innovation Hub, by supporting and helping to judge a three-day hackathon for university students. Meanwhile in Abu Dhabi, we worked with the UAE Ministry of the Interior and the Saaed Association to support marginalised communities during Ramadan.

UK – partnering for a just transition

In support of a just transition to a lower carbon energy industry, we established a partnership with the East of England Energy Group (EEEGR) an industry-led membership organisation. EEEGR builds skills and capability for the hydrogen, carbon capture, offshore wind, and waste-to-value sectors. Our support covers several EEEGR core programmes, including Skills for Energy and Clean Energy technologies.

We also signalled our support of the UK armed forces community, signing the Armed Forces Covenant, which seeks to ensure those who serve, or have served, in the armed forces are treated with fairness and respect.

In-country value

% Spend on local goods and services* (%)

54% (US\$158m)

2019	41%
2020	53%
2021	54%

*Non-JV projects

Key project jobs ('000)

2019	57.0
2020	41.0
2021	33.0

Generating economic value in-country

Wherever Petrofac operates, we are committed to creating shared value by employing local people, supporting local supply chains, developing local capabilities, and stimulating local economies.

As well as being the right thing to do, we see the creation of in-country value (ICV) as a source of competitive advantage. It enables our local delivery model, helping us to bid on challenging projects, keep costs down, improve the quality and capability of local vendors and supply chains, and build stronger relationships with local stakeholders.

Alongside shareholder and client value, we regard ICV as one of the most important outcomes of our business model. We therefore aim to make a positive and measurable contribution to the economies in which we operate.



Formalising our ICV delivery strategy

The creation of ICV has always been a hallmark of our approach. In 2021, we enhanced and extended our commitment with a formal ICV strategy based on four levers:

- **Employing and developing a world-class national workforce** – strengthening our local teams, making them more representative of communities they work in, and enhancing our in-country delivery capabilities
- **Building the capacity and technical capability of local suppliers** – understanding the capabilities of local supply chains, supporting skills development, and promoting technology transfers
- **Sourcing goods and services locally** – reducing our reliance on international supply chains, matching local suppliers with project opportunities, and improving our efficiencies
- **Investing in our local presence and host communities** – ensuring that our community engagement initiatives support our local operations, and are closely aligned with our strategic priorities (see pages 8 and 9)

A three-year implementation plan was agreed, along with key performance indicators for each of the pillars.

Supporting local economies

In 2021, just taking into account our major non-joint operations projects (as listed on page 78), where we have direct control over procurement and subcontracting, we purchased almost US\$158 million worth of goods and services, and supported more than 33,000 jobs at our project sites.

The proportion of locally-sourced goods and services marginally increased to 54% in 2021, up from 53% in 2020. This reflects our continued work to source more local goods and services, build the capability of our supply chain, and invest in our local presence.

Indicative examples from across our operations include:

India

As part of the implementation of the ICV strategy, the local market was assessed, and service providers, vendors and partners identified to support our plans in India.

Given the maturity of the Indian market, almost all goods and services are already sourced locally, other than licensor-mandated imported items. A focus for 2021 was to build our locally-based bidding and project execution teams with a view to maximising our in-country delivery capabilities and minimising any requirement for external support. For 2022, we aim to increase the capabilities further and establish India as an operations hub for bids and projects in Africa.

Oman

In Oman, where we have worked on many of the Sultanate's most significant energy assets and jointly operate the prestigious Takatuf Petrofac Oman training centre, our formal ICV programmes have been running for more than 16 years, and we have a dedicated ICV management team in place to optimise and quantify our impact.

In 2021, we appointed a new Country Manager, Dr Khalid Al Jahwari, recruited a further 41 Omani nationals, identified new ways to strengthen our in-country teams, and presented plans for our nationalisation programme to the Ministry of Labour. We also received an award from our client, Petroleum Development Oman (PDO) for our ICV performance, while our Ghazeer project was named Commercial Project of the Year in the 2021 Construction Week Oman Awards.

In selecting vendors and subcontractors, we routinely give priority to local providers and offer formal support to small and medium-sized enterprises (SMEs). In 2021, we placed orders worth around US\$60 million with Omani vendors, many of which were SMEs.

For 2022, priorities include strengthening our Omani middle management teams and continuing our Omani graduate programmes. We also intend to assess the capabilities of the local supply chain in the new energies sector, identify gaps, and provide support accordingly.



▲ Helping to establish UAE as a global hub for new energy projects

With a significant presence in the UAE, we are working with local partners to deliver a number of new energy projects, while also creating outstanding new opportunities for our Emirati graduate engineers.

We chose to fabricate the facilities of two of our new energy projects at the Drydocks World Dubai and Eversendai facilities respectively. We assigned 23 Emirati graduate engineers to their delivery.

To add to their formal studies at the Petrofac Academy, these graduates benefited from on-the-job training, support, and real-world experience in the new energies sector. Meanwhile, Petrofac benefited from their enthusiasm, their ambition, and their commitment to the local economy, while the UAE builds its credentials in one of the world's most important and rapidly growing sectors.



Delivering locally to global standards is key to Petrofac's strategy and unlocks in-country value for all stakeholders, wherever we operate."

Sami Iskander
Group Chief Executive

Algeria

Petrofac's commitment to Algeria is reflected in the scale and nature of our in-country operations. A support office in Algiers is supplemented by a busy operations hub in Hassi Messaoud, plus project sites in Tinrhert and Ain Tsila. We also operate the Hassi Messaoud Construction Skills Training Centre. In 2021, more than 85% of the people working on our project sites were Algerian nationals.

For 2022, our priorities include capability building initiatives, including evolving our contracting model and establishing more framework agreements with local suppliers.

UAE

Our Sharjah office is home to 1,450 employees and a significant part of our heritage is closely associated with the Emirates. As an operational hub for many of our projects, we source goods and execute large-scale fabrication works in the UAE for export to our clients worldwide. In 2021 we continued to focus on localising strategically critical parts of our business, and worked with selected subcontractors to build their capabilities and promote decarbonisation initiatives to lower their carbon footprint.

To support the development of our local workforce, an HR review evaluated future resource needs and prioritised the recruitment and development of more Emirati middle managers and project staff, both through external recruitment and internal professional development programmes. We also partnered with Sharjah Research Technology and Innovation Park as part of an initiative to identify and co-create innovative solutions to emerging energy challenges.

Kuwait

In recent years, Petrofac has delivered five major projects in Kuwait, helping clients to increase production and modernise their infrastructure. In doing so, we have established project offices, recruited local leadership teams and graduates, and spent around US\$3.4 billion on local goods and services. For 2022, we intend to step up our Kuwaitisation programme and appoint a local Country Manager.

Australia

Our Australian operations have built a strong reputation for well engineering services. We are working on Australia's largest commercial scale green hydrogen project, and we are extending our involvement in the region's energy industry. For 2021, for example, we signed a Memorandum of Understanding (MOU) with Boya Energy, a majority Aboriginal-owned Western Australian renewable energy project developer.

Making a significant contribution to public finances

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

The total amount paid to governments in 2021 was US\$157 million, comprising corporate income tax, employment taxes, and other forms of tax and social security contributions.



Human rights

Respecting human rights across our supply chain

We strive to protect and respect human rights throughout our business operations and extended supply chain. Our commitments are set out in our Code of Conduct, and we work in accordance with our Social Performance Framework, the UN Guiding Principles on Business and Human Rights, and the Fundamental Conventions of the International Labour Organization (ILO). We are also proud of our long-term commitment to the United Nations Global Compact and disclose annually our progress against its Ten Principles.

However, we acknowledge that the nature of our global operations and the type of geographies we work in at times present human rights risks. Our main exposure is in the extensive supply chains of our large EPC projects, particularly the labour practices of subcontractors and the recruitment agents and brokers they use.

Evaluating our performance

Each year, we assess our operations for human rights issues and take a risk-based approach to addressing any incidents of modern slavery related to forced and bonded labour, worker welfare infringements, and other labour rights abuses. This review is detailed in our annual Modern Slavery Statement, published in accordance with the UK Modern Slavery Act 2015, which outlines the steps taken in respect to human rights. This can be found on our website at www.petrofac.com.

All third-party suppliers undergo human rights and labour rights due diligence screening as part of prequalification onto our vendor management system, and are required to read and commit to Petrofac's Labour Rights and Worker Welfare Standards. We also review compliance with our standards through our audit, review, and inspection programmes. Where issues are identified, we work collaboratively with third parties to support improvement plans.

In 2021, there were no incidents of modern slavery or human rights violations reported through our auditing or internal incident reporting mechanisms. However, we did uncover several labour rights issues arising from the ongoing challenges of the pandemic.

Supporting labour rights through the pandemic

While the pandemic has impacted the entire supply chain, it is often our less financially resilient subcontractors who are most vulnerable. Across several projects, our labour rights monitoring and grievance management systems highlighted instances of labour rights infringements. For example, due to country travel restrictions, some subcontracted workers opted to work extended rotations rather than return to their home countries and risk finding themselves unable to return to work. In other instances, lower-tier subcontractors with cash flow problems were unable to pay workers' salaries or health insurance on time, or made unacceptable cuts in the welfare provision.

In all instances, we worked in collaboration to facilitate solutions, monitoring the situation until resolved. As a preventive measure, we also stepped up our reviews of the welfare of our subcontracted workers and provided additional support where necessary.

Refreshing labour rights awareness

To remind our subcontractors of the importance of worker welfare, the principles we follow, and the support we make available on each of our project sites, a programme of labour rights refresher training was implemented (aligned to the International Finance Corporation Standards on Environmental & Social Sustainability, Labour Standard 2). Information campaigns were also developed in multiple languages, such as posters and discussion topics for toolbox talks with groups of workers.

Enhancing project grievance processes

At each project site, we operate grievance processes, which are designed to be transparent and accessible, and based on engagement and constructive dialogue. Workers can raise complaints and suggestions for improvement both anonymously and in person, and we engage with all parties to support the fair and prompt resolution of any issues raised. Given the potential impacts of the pandemic, we worked to raise awareness of these grievance systems and how to access them.

Giving a voice to workers

As part of our focus on worker welfare in 2021, all project sites were encouraged to elevate the role of their worker welfare committees. The committees represent an important component of our commitment to labour rights, and are an important pillar in our due diligence framework. We worked to ensure that regular monthly meetings are held, that workforce groups are fairly represented, and an effective dialogue is maintained between all parties.



Governance

Why this is important to our business model and strategy

Responsible governance and ethical business practice are critical considerations for Petrofac.

As a key stakeholder and a significant part of the supply chain in the industries and countries in which we operate, we must uphold the highest standards of integrity and transparency, and consistently earn the trust of clients, governments, partners, and the wider energy industry.

We therefore recognise the responsibility and opportunity we have to enable and

embody ethical behaviours. We take this commitment seriously and continue to invest in our people and processes to ensure that we live up to it.



100% of employees completed an annual declaration confirming compliance with the Code of Conduct



Speak Up reports increased indicating a more transparent Speak Up culture

Our performance

Alleged breaches of the Code of Conduct reported via Speak Up

2019	61
2020	57
2021	125

Proportion of employees who completed mandatory e-learning (Share Dealing Code, Standard for the Prevention of Bribery & Corruption, Code of Conduct)

2019	99.2
2020	98.9
2021	98.5

Proportion of employees who completed an annual declaration confirming their compliance with the Code of Conduct

2019	99.7
2020	100.0
2021	99.9

Proportion of employees with line management responsibility who completed mandatory Code of Conduct e-learning

2019	97.9
2020	99.3
2021	97.2

Number of employees facing discipline or dismissal following substantiated allegations

2019	20
2020	39
2021	41

Number of substantiated allegations

* This number does not reflect 15 ongoing cases from 2021

2019	24
2020	21
2021	39*

Number of employees attending training conducted by the compliance team (Code of Conduct, trade compliance, investigations)

2019	n/a
2020	997
2021	1,449

Ethical behaviour and compliance

Over recent years, and in the wake of the Serious Fraud Office (SFO) investigation, we have put significant effort into reinforcing the importance of ethical behaviour to our people and enhancing our systems and processes.

Over the past five years, the size of our compliance team has grown from two to 12 people, the skills and experience within it have been significantly enhanced, and the budget almost doubled. We also benefit from a new unequivocal Code of Conduct, more codified behaviours and values, and the frequent delivery of clear and consistent messages from all tiers of leadership.

At the close of the investigation, the SFO and the Court commented on the extent and integrity of our reforms. We know that we have emerged a better company, backed by a world-class compliance regime, and an open reporting culture in which reporting unethical behaviour is actively welcome. We believe that, because of these major enhancements, the type of behaviours that prompted the investigation would not now occur.

We also believe that ethical behaviour and compliance are ongoing considerations that require consistent attention and enhancement, which is what our three lines of defence structure brings.

Continuing to embed a compliance ethos across the Group

Following the launch of our revised Code of Conduct in 2020, we continued with our related training and communications programmes. Although face-to-face training programmes were restricted by the pandemic, we continued with our online programmes, with a total of 1,449 employees receiving training from the compliance team.

To complement the communications and frequent messaging from the senior leadership, we also focused on fostering more openness among middle managers and their direct reports, especially those working in higher risk roles and locations. We launched and rolled out a mandatory Code of Conduct e-learning module for everyone at middle management levels and below.

Enabling Group-wide engagement

The compliance team continued to implement new ways to engage with and support colleagues from across the business. Aside from their day-to-day operational responsibilities, all senior compliance team members have a remit to work closely with the leadership team of a given business unit, act as a compliance focal point, and provide support and problem-solving advice. We also implemented compliance review rhythms with the senior leaders of our business units.

Optimising our processes and controls

The purpose of our compliance processes and controls is to prevent deviations from our policies, highlight any new or emerging risks, and detect and flag deviations or suspicious-looking activities.

A major focus for 2021 was to revamp our due diligence systems, eliminate any remaining manual processes, and transition to a new cloud-based platform, as well as bringing increased efficiencies and enhanced controls. This means that our due diligence and financial controls are now fully integrated. It also means that we benefit from live monitoring of counterparty risks, and are able to take immediate action if issues should arise.

Encouraging more people to Speak Up

It is vital that everyone working with or for us can raise any concerns they might have, without fearing retaliation, and have the option to do so anonymously.

Following the 2020 improvements to our Speak Up tool (which is how employees, contractors, suppliers, and customers and any other third parties can report any breach or suspected breach of our Code of Conduct, policies, standards, procedures or local laws), the priority for 2021 was to encourage more open reporting through the tool or through management. This entailed additional training, again targeting middle-level managers, to promote a strong and healthy Speak Up culture, reinforced by a top-down cascade to all employees on the importance of speaking up.

To ensure our stakeholders, and especially our employees, feel safe in speaking up, we introduced a standalone Non Retaliation policy.

As a result, we saw an increase in Speak Up reports, which more than doubled to 125. This is in line with recognised international benchmarks. It demonstrates that people feel more comfortable in reporting and discussing their concerns, which is indicative of the more open and transparent culture we are nurturing.

Three lines of defence

Each line in our defence system includes a feedback loop that informs improvement





SEE IT. REPORT IT. SPEAK UP.

Our Code, our responsibility.

- If you hear or see something that potentially breaches our Code of Conduct, you must **Speak Up**.
- Your concerns will be taken very seriously, and we will not tolerate retaliation of any kind.
- We encourage you to raise your concerns first with your line manager. Alternatively, you can report to a manager in one of the Corporate functions.
- You can also report anonymously on any device via our Speak Up channel, by visiting [Petrofac.ethicspoint.com](https://www.petrofac.com/ethicspoint)

Bringing more rigour and consistency to our investigations

Where concerns are reported, we respond to them promptly and investigate them objectively and independently. We ensure that whoever reports a concern is kept abreast of the outcome and that recommended actions are implemented in a timely manner. This is the result of a major redesign of the investigations function, procedures and tools.

Maintaining strong third-party assurance

To help us develop and implement our enhanced compliance regime, in 2019 we appointed the specialist law firm Freeh, Sporkin & Sullivan. In 2021, we confirmed that this would be a long-

term engagement and a key part of our assurance processes – helping us monitor our performance and adapt our approach accordingly.

Continuing priorities for 2022

For 2022, we will continue to enhance our approach. Plans include a detailed and elaborate communications and training programme using lessons learnt, emerging trends and other communications channels. This will have an emphasis on continuing to nurture a culture of openness and transparency – so that all our people feel comfortable discussing our Code of Conduct, and all tiers of management understand the right ways to engage in these discussions and, where appropriate, to escalate the outcomes.

Tax transparency

Petrofac is committed to ensuring compliance with the tax laws and regulations of the countries where we operate. We have an open, cooperative and collaborative working relationship with tax authorities.

Our Tax Strategy and Tax Policy explain how we approach the management of our tax affairs (these are available for download at www.petrofac.com).

The total amount that we pay in taxes is not limited to the corporate income tax disclosed within the financial statements. It also includes 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 amount paid by Petrofac to governments worldwide includes those taxes which are borne by Petrofac, as well as taxes collected by Petrofac, but which are recoverable from tax authorities or clients and suppliers.

We report our taxes paid and collected on a cash basis, except for VAT and sales taxes, which are shown on an accrual basis. We believe this is the most meaningful way to demonstrate our annual tax contribution.



It is vital that everyone working with or for us can raise any concerns they might have, without fearing retaliation, and have the option to do so anonymously.”