

## PETROFAC LIMITED MODERN SLAVERY ACT

### PUBLIC STATEMENT 2016

#### Introduction

Section 54 of the UK Modern Slavery Act 2015, 'Transparency in Supply Chains', requires UK companies with a turnover of more than £36m to produce an annual statement setting out the steps they take to combat modern slavery or human trafficking – in both their own business and in their supply chains.

This Statement sets out the steps that Petrofac Limited and its subsidiary companies (referred to collectively as 'Petrofac') took in the year ending December 31st 2016. It is prepared with reference to UK Government guidance on Section 54 of the Modern Slavery Act.

#### About Petrofac

Petrofac Limited is a FTSE 250 company, providing engineering services to the oil and gas industry in 29 countries. In simple terms, we design, build, operate and maintain oil and gas facilities, and offer a range of innovative commercial models, which enable us to respond to the needs of individual clients.

Petrofac is made up of three business units:

- **Petrofac Engineering & Construction (PEC)** delivers onshore and offshore engineering, procurement installation and commissioning services, usually on a lump sum basis
- **Petrofac Engineering & Production Services (PEPS)** supports clients across the lifecycle of their assets, from conceptual greenfield developments to brownfield modifications, operations and maintenance, to decommissioning and abandonment
- **Integrated Energy Services (IES)** is an enabler for the wider business, bringing together our engineering, construction and operations capabilities to offer clients an integrated service under flexible commercial models

With 13,500 staff, made up of around 80 nationalities, we have seven operational centres in Sharjah, Abu Dhabi, Chennai, Mumbai, Aberdeen, Woking and Kuala Lumpur, supported by a further 24 offices and training facilities worldwide.

Further information about Petrofac can be found in our Annual Report and Accounts and at [petrofac.com](http://petrofac.com).

#### Supply chains and subcontractor relationships

Petrofac has a large, complex and diverse supply chain.

We buy a broad range of both low-value and high-value goods and services from suppliers globally. In 2016, for example, we issued more than 13,000 purchase orders, covering some US\$2.7 billion worth of goods and services.

We also engage with a large number of subcontractors to help us deliver projects and to provide support services, such as security and office-based services. For example, in 2016, on our key PEC projects alone, we had over 75 major subcontracts in place, valued at more than US\$6.7 billion, covering a wide range of services – such as civil works, mechanical, electrical and instrumentation work, equipment construction, site facility management and catering services.

#### Policy framework and management approach

Most labour rights protections are implicitly covered in a range of Petrofac policies and standards, including our Code of Conduct, Social Performance Framework and HR policies, as well as our policy statement on child labour.

Our Code of Conduct sets out our expectations of everyone who works for and with Petrofac (our employees, suppliers, contractors, agents and partners). As stated in this Code, we adhere to the principles of the United Nations Global Compact, including those provisions relating to labour standards, non-discrimination, child labour and forced labour.

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

#### What we did in 2016:

In 2016 we established a Modern Slavery Act steering group, chaired by our Group Director of Legal, Secretariat and Compliance Services and reporting to the Petrofac Executive Committee and Petrofac Board. This comprises heads of relevant functions (such as Supply Chain, Commercial, HR, Social Performance, HSSE and Legal) and is supported by a working group of senior managers.

The steering group guided implementation of our pilot labour rights due diligence programme (see below), as well as a review of our existing policy framework, and will continue to guide our approach in future years.

#### For 2017 we will:

- Update our Code of Conduct to state explicitly that we do not allow recruitment or employment practices that could result in conditions of modern slavery, and that we expect the same of all third parties we work with
- Develop and roll-out a Petrofac Labour Rights Standard across the business and amongst subcontractors and suppliers. This will help us raise awareness of the issues and set clear requirements in relation to recruitment and employment practices. It will also provide a basis for future assurance processes, including audits

## Due diligence process

### Existing processes:

All third parties who work with us are subject to due diligence and need to confirm that they operate in accordance with our Code of Conduct (and, therefore, our approach to human rights and labour rights issues). In addition, suppliers and subcontractors are subject to a screening and assessment process prior to contracting with Petrofac, which covers a range of technical, commercial, and compliance issues.

Through our 2016 policy review, we recognised the need to enhance these procedures in order to refer more explicitly to modern slavery and human trafficking issues, and to ensure that they are addressed in a meaningful way.

### What we did in 2016:

To get a clearer understanding of our exposure to modern slavery and human trafficking issues, and to guide our future approach, we piloted a labour rights due diligence exercise across our business and with suppliers and subcontractors. This began with a desktop risk assessment, leading us to prioritise our PEC activities in the Middle East and North Africa (MENA).

With support from specialist consultants, we created a self-assessment labour rights questionnaire, which we sent to:

- 21 major subcontractors working on key PEC projects with contracts worth \$2.9bn
- Three subcontractors providing office services in Sharjah
- 21 suppliers, representing 52% of our PEC expenditure through our top 50 global suppliers
- 31 recruitment agencies contracted directly by Petrofac
- PEC HR representatives responsible for direct recruitment in the MENA region

The results gave us an understanding of the policies of our subcontractors and suppliers, as well as the profile of their respective employees (by nationality, skill level, location of work, contract type, etc.). We also asked them to describe their employment and recruitment practices, including areas such as: employment contracts; recruitment fees; child labour; wages and pay deductions; document retention; leave, rest days and overtime; freedom of movement; and disciplinary and grievance procedures.

Recognising the limitations of self-assessment questionnaires, we also conducted site visits to projects and facilities in Abu Dhabi and Oman.

### For 2017 we will:

- Incorporate explicit labour rights questions into our existing due diligence systems and processes (informed by the pilot due diligence findings)
- Include provisions in the terms and conditions of contracts with third parties requiring compliance with the new Labour Rights Standard

## Assessment of risk

Based on the findings of the pilot due diligence exercise, we concluded that Petrofac's main area of exposure is the large number of low-skilled migrant workers who are employed on our sites, predominantly through subcontractors, and who come from 'high risk' countries.

For example, we found that over 60% of workers on our MENA sites fall into this category, and 76% of them are from countries ranked low on the Global Slavery Index<sup>1</sup> (most notably, India). With over 50,000 workers on our project sites at any one time, we recognise the need to focus on recruitment and employment practices for this group of potentially vulnerable people.

Our engagement with suppliers and vendors shows that many companies supplying Petrofac own facilities in higher risk countries, and that in some cases they employ people from vulnerable groups (such as informal workers, migrant workers or people from indigenous groups).

Given their complexity, scale and variety, we have not yet commenced due diligence on the lower tiers of our supply chains. However, we did review the general approach to supply chain management among our suppliers. We intend to develop a risk-based approach to this in order to prioritise those companies that face greater exposure to risks of modern slavery and human trafficking.

A further consideration is the varied and inconsistent policy framework that governs recruitment and employment practices of Petrofac, our suppliers and subcontractors. In some cases, we identified practices that could be open to abuse and exploitation without sufficient safeguards in place. We intend to address these issues through the introduction of the new Petrofac Labour Rights Standard.

Throughout the pilot due diligence exercise, we did not encounter any specific cases or incidents that could be considered to amount to incidents of modern slavery.

<sup>1</sup> See [www.globalslaveryindex.org](http://www.globalslaveryindex.org)

### Assessment of effectiveness and KPIs

Our work in 2016 focused on identifying and prioritising risk within our business and our supply chains. This has provided a sound basis to inform our approach to tackling modern slavery and human trafficking.

As we introduce our Labour Rights Standard, we will assess our effectiveness by developing and reporting against a range of key performance indicators linked to implementation of the Labour Rights Standard.

### Training and capacity building

In 2016 we conducted a training and awareness programme relating specifically to the UK Modern Slavery Act, which targeted senior executives and managers from relevant functions. As part of our pilot due diligence programme, we also extended our awareness raising to key suppliers and subcontractors.

From 2017 we will develop a more comprehensive training programme. Intended for use across the Company, this will cover the UK Modern Slavery Act and its relevance to Petrofac, the types of risk that are most relevant to us, and the work we are doing to address them (primarily, implementation of the Labour Rights Standard).

In addition, training on our Code of Conduct, which is mandatory for all Petrofac employees, will extend awareness and understanding of the issues.

In future years, we will report on the extent to which employees and third parties have received training, both specific to modern slavery and human trafficking, as well as more generally through our Code of Conduct.

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This statement has been approved by the Board of Petrofac Limited

Signed



Ayman Asfari  
Chief Executive Officer  
May 2017