

PETROFAC LIMITED MODERN SLAVERY ACT PUBLIC STATEMENT 2017

Introduction

Since publishing our first Modern Slavery statement in 2016, we have continued to embed and advance our work in this area; developing the policy framework and management approach to ensure the most effective response to the risks identified in our 2016 due diligence work.

This Statement sets out the steps we have taken in 2017 to address these issues across the company and our supply chains.

About Petrofac

Petrofac Limited is a FTSE 250 company, providing engineering services to the oil and gas industry in 29 countries. 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 12,500 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.

Supply chains and subcontractor relationships

Petrofac has large, complex and diverse supply chains. We buy a broad range of both low-value and high-value goods and services from suppliers globally. In 2017, for example, just taking into account our main PEC and PEPS projects we issued many thousands of purchase orders, covering some US\$1.2 billion worth of goods.

We also engage with a large number of subcontractors to help us deliver projects and to provide services, such as construction and associated support. For example, in 2017, on our PEC and PEPS projects alone, we had more than 120 major subcontracts in place (US\$6.2 billion value), supporting more than 75,000 workers, covering a wide range of services – such as civil works, mechanical, electrical and instrumentation construction works, site facility management and catering services.

Policy framework and management approach

Understanding and addressing potential modern slavery issues is a matter of priority for Petrofac. A Labour Rights Steering Group comprising relevant heads of department, which reports directly to executive management and is overseen by the Board, has been leading our response.

What we did in 2017:

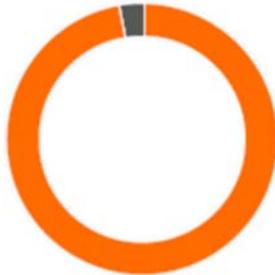
The Steering Group developed a Labour Rights Standard which sets out the expectations and requirements necessary for our people, subcontractors and suppliers to comply with the UK Modern Slavery Act, our Code of Conduct and our Ethical, Social and Regulatory Risk Policy.



The Standard was launched company-wide in August through communications on our company intranet and targeted notifications to key functions (eg. HR, Subcontracts, Commercial, Legal, etc). Communications were also sent to our subcontractors and the recruitment agencies we use, highlighting our commitment to respect labour rights and reinforcing the requirement that all third parties we use must adhere to the Standard.

All companies are also notified of our Standard and are required to complete a labour rights questionnaire and declaration as part of the phased registration of our suppliers and vendors onto our new supply chain database.

Labour Rights Standard
Subcontractor roll-out
(by value)



● New and existing subcontractors received launch communication 97%

● New and existing subcontractors pending 3%

Labour Rights Standard
Supplier Screening
Questionnaire



● Completed self-assessment questionnaire 16%

● Are yet to complete 84%

In addition, a Welfare Standard was developed that formally sets out the minimum performance requirements for workers' welfare that must be implemented across our projects and assets. This covers most aspects of workers' life on projects and assets, such as accommodation, catering, recreation, healthcare, transportation, working hours, worker grievance mechanisms, etc. It applies to all employees and subcontractors working on sites under our control.

We have made our Standards available to all Petrofac employees and subcontractors and shared them with clients to promote good practice.

To ensure our Code of Conduct better reflects our new Standards, new wording was also developed specifically related to respecting labour rights and supporting the welfare of workers; and prohibiting the use of recruitment or employment practices that could potentially result in conditions of modern slavery.

Finally, new clauses covering labour rights and worker welfare were developed and included in all new third-party contracts issued.

For 2018 we will:

- Relaunch our updated Code of Conduct across the company, and share this with all third parties we work with.
- Develop and roll-out guidance to support implementation of the Labour Rights and Welfare Standards.
- Progressively work with project management teams to ensure labour rights and welfare management and assurance processes are in place at site.

Due diligence processes to assess and manage risk

Through our due diligence we know our main exposure to potential human rights issues is through our supply chain and, more specifically, its employment of low-skilled migrant workers from 'high risk' countries. We are aware that the labour practices of agents used by some of our subcontractors potentially expose the company to labour rights risks. Many of these issues are not always immediately evident and we are working with our subcontractors to map out our supply chain, and identify and address any recruitment violations and welfare infringements.

Checking the chain

All third parties who work with us are subject to due diligence and their confirmation that they adhere to our Code of Conduct and Standards. 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.

For existing contracts, we expect third parties to make best endeavours to meet the Standard's requirements, recognising that in some cases, this will involve a change of practice that may not be simple or immediate. We believe in sustainable remediation and when issues of non-compliance are identified through our due diligence and on site reviews, it is our practice to work together with third parties to support full implementation of the Standards.

Delivering progress in 2017

In 2017, our priorities were to make our commitment more visible, make the protections more explicit, and make progress in embedding a respect for human rights throughout our supply chain.

Significant developments included:

- We finalised and rolled out our Labour Rights Implementation Plan that defined the arrangements, governance structure and key programme activities for the next 5 years to assess and manage modern slavery risks.
- Implementation of a due diligence assurance programme focusing on the two areas of the business that represent our greatest risk; major subcontractors active at our E&C project sites within the MENA region, and third party hire agencies utilised by Petrofac and our subcontractors for lower skilled workers.
- We also engaged with external stakeholders and supported industry and sector initiatives to ensure that our approach to labour rights is consistent, appropriate and up-to-date. In particular, through membership of IPIECA (oil and gas industry association on environmental and social issues), we were active in the Human Rights Task Force, contributing to developing good practice guidance on company and supply chain labour rights issues.

Our commitments for 2018 and beyond

In 2018, we will be to continue to roll out and embed the various initiatives and resources developed in 2017. This will include:

- Implementation of the new Labour Rights and Welfare Standards
- Extended third party due diligence through our supply chain database and the enhancement of our subcontractor prequalification process
- Labour rights reviews and site welfare assessments of all our new projects

Assessment of effectiveness and KPIs

A formal review of the labour rights programme was undertaken by our Group Internal Audit function to evaluate its design effectiveness. The programme was assessed as fit-for-purpose and the following areas highlighted for development in 2018:

- Incorporate the new labour rights clauses (currently issued as special T&Cs) into the main company general T&Cs
- Further embed the assessment of labour rights into subcontractor evaluations
- Finalise the draft key performance indicators, currently under review, and implement

After consultation with key functions and projects, the following KPIs were agreed to be collected through 2018 and reported in our next statement:

- Third party due diligence – percentage of labour rights self-assessments completed
- Project assessments – percentage of new projects

- completing labour rights assessments
- Payment of recruitment fees – percentage of workers surveyed who have paid to get their job
- Training – number of sessions delivered as per plan
- Incidents - the number and nature of incidents reported through employee hotline disclosures and our internal incident reporting mechanisms

Training and capacity building

In 2017 we developed a comprehensive training and awareness programme for employees and subcontractors. The training covers the UK Modern Slavery Act and its relevance to Petrofac, the types of risk within our operations and supply chains, and the work we are doing to address them (primarily, implementation of our Labour Rights and Welfare Standards). Pilot sessions were delivered to key functions, followed by a formal launch of the programme to our Executive Management.

To support the project implementation of our new Labour Rights and Welfare Standards, we will extend our awareness raising progressively across our projects and to key subcontractors and recruitment agents in 2018.

In addition, we will further raise awareness of all Petrofac employees, through the relaunch of our revised Code of Conduct.

Through time we aim to expand on our reporting and extend our efforts deeper into the supply chain & subcontracting. We also intend to increase our engagement with industry and other stakeholders on joint initiatives to adopt common principles and practices, develop practitioner tools, and drive innovation and continuous improvement.

This statement has been approved by the Board of Petrofac Limited Signed



Ayman Asfari
Chief Executive Officer May 2018