

CHAIRMAN'S INTRODUCTION

During 2018, the Board discussed the new requirements set out in the 2018 UK Corporate Governance Code (new UK Code), which became effective for financial years beginning from 1 January 2019, and consideration has been given to what improvements can be put in place to enhance our governance and internal controls frameworks.

Goverance compliance
Following the establishment in 2017 of a new Board Committee to oversee our compliance and ethics procedures, we have continued to strengthen and embed our compliance procedures across the Group. The Board remains fully committed to ensuring that robust internal controls are in place throughout Petrofac to mitigate any threats that may be encountered. We believe that the right behaviours and culture can only enhance long-term performance.

Changes to the Board during 2018
As we reported last year, Rijnhard van Tets stepped down in May 2018 after 11 years on the Board, most recently as Chairman. We also welcomed two new Directors during 2018. As set out in the Nominations Committee report on page 80, we believe that the appointments of Sara Akbar and David Davies ensure that the Board remains highly competent with the skills and experience to support Petrofac’s future plans.

Board evaluation
In compliance with the UK Code, this year’s Board evaluation exercise was internally facilitated and full details of the process and outcome are set out on page 74.

Succession planning
Succession planning remained a key priority for the Board throughout 2018. Significant progress has been made to ensure that changes can be managed effectively, core capabilities preserved, while new talent can be attracted, thus enabling us to implement our strategic agenda and position the business for longer term growth.

Stakeholder engagement
We endeavour to actively capture the views of our stakeholders and, following my appointment, I met with several key investors to understand their views and discuss any governance concerns. This process was reinforced towards the end of the year with further investor meetings held by me and the Chairman of the Remuneration Committee.

The Board acknowledged the recommendations set out in the new UK Code, recognising the need to develop deeper levels of engagement with our workforce to better understand their views. Further details on our new Workforce Forum are set out on page 79 and a full report on our enhanced engagement activities will be provided in next year’s report.

Looking forward
As we enter a new reporting framework under the new UK Code, the Board will remain committed to continuous improvement in governance. We will continue to monitor developments in best practice, giving specific focus to compliance, cyber-security, health and safety, and sustainability matters.

René Médori
Chairman
27 February 2019

As a Board, a key priority is to continue to strive to do what is best for our Company, our employees, our clients, and our shareholders.

Dear shareholder
I am pleased to present my first governance report as your Chairman. Since joining the Board in 2012, I have seen the Company develop considerably over the years. Great progress has been made in many areas, but the Board acknowledges that a continued rigorous approach to our governance policies remains critical to the long-term success and sustainability of the Company. As a Board, a key priority is to continue to strive to do what is best for our Company, our employees, our clients, and our shareholders.

The Board and I were deeply saddened by the death of three colleagues in two work-related incidents during the year. These tragic events reinforce the importance we place on safety across all our operations and as a result, increased focus was given to our safety improvement plans during the year.

Governance standards
As you would expect, governance has remained high on the corporate agenda throughout the year. The Board is committed to maintaining the highest standards of corporate governance across the Group, as it believes this sets the tone as to how the Company operates and behaves, both internally and externally. The Board plays a critical role in defining our behaviours and the ways in which we do business, and our governance framework emphasises the importance of compliance with regulation and guidance. This governance framework also defines the relationships between the Board, senior management, employees and other stakeholders.

This governance report includes details of how governance underpins and supports our business and the decisions we make every day including our ability to deliver our strategy and create long-term value for our shareholders.

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27 February 2019

As a Board, a key priority is to continue to strive to do what is best for our Company, our employees, our clients, and our shareholders.
2016 Objectives and highlights

Objectives Achieved

- Strategy execution – provided leadership and guidance to support the Company’s strategic priorities, with focus given to driving the delivery of our operational excellence programme

- Compliance and risk management – continued to further enhance procedures throughout the organisation, to ensure the Company’s internal controls processes were fully embedded and clearly understood

- Succession planning – a new organisational structure was put in place during the year to provide greater oversight. These changes were managed effectively to preserve core capabilities while attracting new talent, thereby implementing the strategic agenda while positioning the business for longer-term growth

- Project delivery – this remained a significant area of focus to ensure the execution strategy could enable the Company to secure new awards, while reaching commercial settlements on outstanding projects, thereby reducing net debt

- Stakeholder engagement – engagement with investors and other stakeholders followed the Chairman’s appointment, to identify any potential concerns. Further engagement with key stakeholders by the Chairman and the Remuneration Chairman was arranged to understand their views and explain current processes.

Priorities for 2019

The Board’s areas of focus in 2019 are expected to include:

- Objectives
  - Continued execution of the Company’s strategic aims and priorities
  - Consideration of how the Group’s values and culture are embedded
  - Continued focus on safety, with regular reviews of ongoing safety activities
  - Implementation of the digital agenda
  - Continued monitoring of financial and operational performance
  - Renewed focus on cyber-security
  - Overseeing the continued development of the internal control and compliance environment
  - Continued stakeholder engagement, including the implementation of the new Workforce Forum
  - Application of the new UK Code requirements and a continued review of the developments and changes to the corporate governance landscape
  - Consideration of the implications, if any, of the United Kingdom’s exit from the European Union (Brexit) on the Group’s activities

C. ORGANISATIONAL STRUCTURE AND FRAMEWORK

To ensure there is a clear division of responsibilities, while retaining control of key decisions, the Board has in place a Schedule of Matters Reserved that sets out items for its consideration and approval. The Board is assisted by four committees – Audit, Compliance and Ethics, Nominations and Remuneration. Matters which the Board considers suitable for delegation are contained in the terms of reference of these committees. Copies of all terms of reference are available on the Company’s website at www.petrofac.com.

The chairman of each committee provides a summary of its activities during scheduled Board meetings and, once approved, the minutes of all committee meetings are circulated to the full Board.

In addition to these Board committees, the Company has a number of executive management committees, which are involved in the day-to-day operational management of Petrofac and have been established to consider various matters for recommendation to the Board and its committees.

The framework is set out below:

SHAREHOLDERS

<table>
<thead>
<tr>
<th>Elect the external auditor</th>
<th>Elect the Directors</th>
<th>Ongoing dialogue (see page 77)</th>
</tr>
</thead>
</table>

BOARD

Provides leadership and direction for the Group. Sets overall strategy and oversees its implementation. Ensures appropriate systems and processes are in place to monitor and manage Group risk. Responsible for financial performance and corporate governance.

Audit Committee

Chair by David Davies

Reviews and monitors the integrity of the Company’s financial statements, reporting processes, financial and regulatory compliance, the systems of internal control and risk management, and the external and internal audit processes.

Committee report on pages 82 to 87

Remuneration Committee

Chair by Matthias Bichsel

Sets remuneration policy for Executive Directors and determines individual compensation levels for Executive Directors, the Chairman and members of senior management. Oversees the remuneration framework for the Group.

Committee report on pages 90 to 101

Nominations Committee

Chair by René Médori

Reviews the structure, size and composition of the Board and its committees. Takes primary responsibility for succession planning and Director succession. Identifies and nominates suitable candidates for Board appointments. Oversight of leadership pipeline.

Committee report on pages 80 to 81

Compliance and Ethics Committee

Chair by George Pierson

Supports the Board in fulfilling its oversight responsibilities in all respects of compliance and ethics. Provides assurance that the Company’s compliance and ethics policies are adequate.

Committee report on pages 88 to 89

Executive management

Responsible for day-to-day operational management, the communication and implementation of strategic decisions, administrative matters and matters for recommendation to the Board and its committees. Underpinned by a number of management committees:

- Operational Committee
- Treasury Committee
- Third Party Risk Committee
- Guarantee Committee
- Executive Committee
- Disclosure Committee
- Group Risk Committee
1. RENÉ MÉDORI
Non-executive Chairman

Appointed to the Board
January 2012 (September 2017 as Senior Independent Director)
May 2016 as Non-executive Chairman

Key strengths
Extensive and current international financial experience, with knowledge of balance sheet strengthening opportunities and financing arrangements. Well-established knowledge of governance and regulatory matters and a good understanding of operational and strategic management.

Experience
Stepped down as Finance director of Anglo American plc at the end of April 2017 and retired from the company at the end of January 2018, after more than 12 years. From June 2000 to May 2005 was group finance director of The BOC Group plc. Until June 2012, was a non-executive director of SSE plc and until December 2017 was a non-executive director of De Beers and Anglo Platinum Limited. Was appointed as non-executive Chairman in May 2018.

External appointments
Non-executive director of Cobham plc, Vinci SA and Newmont Mining Corporation.

2. AYMAN ASFARI
Group Chief Executive

Appointed to the Board
January 2002

Key strengths
Strong operational leadership skills and international focus. Significant business development skills, extensive oil and gas industry knowledge, and a clear strategic vision. Entrepreneurial track record.

Experience
Joined the Group in 1991 to establish Petrofac International, of which he was CEO. After growing the business, he led a corporate reorganisation in 2002 and became Group Chief Executive. In 2005, he led the successful initial public listing of the Company. He has more than 37 years’ experience in the oil and gas industry. Formerly worked as managing director of a major civil and mechanical construction business in Oman.

External appointments
Founder and chairman of the Asfari Foundation. Member of the board of trustees of the American University of Beirut. Member of the board of trustees for the Carnegie Endowment for International Peace. Fellow of the Royal Academy of Engineering and member of the Chatham House Panel of Senior Advisers.

3. ALASTAIR COCHRAN
Chief Financial Officer

Appointed to the Board
October 2016

Key strengths

Experience
Joined Petrofac in October 2016 from BG Group plc, where he had been Transition-Head of BG Strategy & Business Development and, prior to that, Group Head of M&A and Corporate Finance. A member of the Institute of Chartered Accountants in England and Wales, he started his career with KPMG before enjoying a successful career in investment banking with Barclays de Zoete Wedd, Credit Suisse First Boston and Morgan Stanley.

External appointments
None.

4. MATTHIAS BICHSEL
Senior Independent Director

Appointed to the Board
May 2015 (May 2018 as Senior Independent Director)

Key strengths
Over 35 years’ experience in the oil and gas industry. Extensive commercial and strategic capabilities. Deep understanding of operational and project management, as well as technology management.

Experience
Stepped down from the executive committee of Royal Dutch Shell plc at the end of 2014. Held several roles over his 34-year career with Shell, including director of Petroleum Development Oman; MD of deepwater services in Houston; executive vice president global exploration and executive vice president technical, of Shell Upstream. Ran Shell’s Project and Technology business from 2009.

External appointments
Vice-chairman of Sulzer AG. Non-executive director of Canadian Utilities Limited and South Pole Group. Member of the advisory board of Chrysalix Energy Venture Capital.

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Committee membership
- Audit Committee
- Compliance and Ethics Committee
- Nominations Committee
- Remuneration Committee
- Committee Chairman

Board appointment and tenure

<table>
<thead>
<tr>
<th>Name</th>
<th>Appointment Date</th>
<th>Date of appointment</th>
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<tbody>
<tr>
<td>David Davies</td>
<td>18 May 2018</td>
<td>18 May 2018</td>
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<tr>
<td>Alastair Cochrans</td>
<td>01 January 2018</td>
<td>01 January 2018</td>
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<tr>
<td>George Piersen</td>
<td>20 October 2016</td>
<td>20 October 2016</td>
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<tr>
<td>Andrea Abt</td>
<td>14 May 2016</td>
<td>14 May 2016</td>
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<tr>
<td>Matthias Bischel</td>
<td>19 May 2016</td>
<td>19 May 2016</td>
</tr>
<tr>
<td>René Mécory</td>
<td>19 January 2012</td>
<td>19 January 2012</td>
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</tbody>
</table>

Length of tenure (years) as at 27 February 2019

Gender diversity (Women as a percentage of the total)
- Board: 25%
- Group: 0%
- Senior management: 5%
- Graduates: 12%
Non-executive Director

5. ANDREA ABT

Appointed to the Board
May 2016

Key strengths
Extensive background in a variety of functional roles, including sales, finance, procurement and logistics. Specialist knowledge of the European market.

Experience
Joined Siemens in 1997 and held various leadership roles, including Head of Supply Chain Management and Chief Procurement Officer for Infrastructure & Cities from 2011 to 2014. She started her career in industry at Dornier Luftfahrt, then a company of the Daimler-Benz Group, where her last role was director, Aircraft Sales Australia/Pacific. She was a non-executive director of Brammer plc until February 2017.

External appointments
Non-executive director of SIG plc and John Lang Group plc. Member of the supervisory board of Gerresheimer AG.

Non-executive Director

6. SARA AKBAR

Appointed to the Board
January 2016

Key strengths
Over 35 years’ experience in the oil and gas industry with a unique insight into the Middle Eastern environment. Wide-ranging international experience and significant operational and project management capabilities.

Experience
Until end 2017, was Chief Executive Officer of Kuwait Energy KSC, which she founded in 2005 to exploit the opportunity for an independent Engineering and Production company in the MENA and Eurasia regions. Was previously New Business Development Manager and Head of Planning for Kuwait Foreign Petroleum Exploration Company and served in various positions in the oil and gas industry in Kuwait and internationally from 1981 to 1999. Holds a BSc in Chemical Engineering.

External appointments
Chairman and CEO of Oil Serve, an oilfield services company operating in the MENA region and Chairperson of the Advisory Board to the American University of Kuwait. Member of the Kuwait Supreme Council for Planning and Development and an active member of the Board of Trustees of Kuwait’s Silk Territory project.

Non-executive Director

7. DAVID DAVIES

Appointed to the Board
May 2018

Key strengths
Extensive and current international financial experience. Chartered Accountant with a BA(Hons) in Economics from the University of Liverpool and an MBA from the Cass Business School. Extensive capital and debt raising experience, as well as managing companies exposed to substantial and rapid change. Served on the boards of listed companies in seven different countries.

Experience
Over 35 years’ experience as a financial professional with a successful career as chief financial officer and deputy chairman of the executive board at OMV Aktiengesellschaft, as well as serving as group finance director for both Morgan Crucible Company plc and London International Group plc.

External appointments
Senior Advisory Board member at First Alpha Energy Capital LLP and a non-executive director of Wienerberger AG, Ophir Energy Plc and Uniper SE.

Non-executive Director

8. GEORGE PIERSON

Appointed to the Board
May 2016

Key strengths
A qualified lawyer and engineer. Extensive background in risk management, contracting, construction law, compliance and cost efficiency. Excellent understanding of operational and engineering management.

Experience
Appointed as General Counsel and Secretary of Parsons Brinckerhoff in 2006, later becoming chief operating officer of its Americas’ operations. Appointed as President and Chief Executive Officer between 2010 and 2014. Previously non-executive director of WSP Global Inc, Terracon Consultants, Inc. and Railworks LLC. Joined The Kleinfelder Group Inc. in August 2016.

External appointments
Chief Executive Officer of The Kleinfelder Group Inc. and Board director of Lane Power and Energy Solutions, Inc.

Board gender diversity (%)

- Female: 25%
- Male: 75%

Board skill set 2018

- Oil and gas experience: 63%
- Engineering: 63%
- Finance: 50%
- International experience: 100%
- Regulatory and governance: 88%
- Leadership: 100%
- HSE: 63%
- Operational/strategic management: 100%

Executive/Non-executive

- Chairman: 1
- Executive: 2
- Non-executive: 5
Corporate Governance compliance

The UK Corporate Governance Code

Petrofac Limited is subject to the principles and provisions of the UK Corporate Governance Code 2016 (UK Code). The UK Code underpins the corporate governance framework for premium listed companies and sets out a number of principles of good governance, with compliance with the UK Code resting with the Board. A copy of the UK Code is available at www.frc.org.uk. As a UK listed company, Petrofac is required to explain how the Company has complied with the Code and applied the principles and provisions set out therein. For the year ended 31 December 2018, the Board considers that the Company complied in all material aspects with the principles of the UK Code and this Governance Report details how the main principles of the Code have been applied.

Leadership – the Board sets the tone of the Company with regards to the corporate governance framework and the application of corporate values and behaviours. There is a clear definition of Board responsibilities, with Directors collectively responsible for the development of strategy and the long-term success of the Company.

Effectiveness – the Directors demonstrate the appropriate balance of skills, experience, independence and knowledge and are able to commit sufficient time to undertake their duties and responsibilities effectively. An induction programme is established for all new Directors. The Board carries out its duties with regular meetings focusing on the oversight of strategy, risk and succession planning. It also carries out an annual review into the effectiveness of the Board.

Accountability – the Board maintains sound risk management and internal control systems to ensure the Company’s strategic objectives can be achieved. The Board has well-established committees to assist it in the undertaking of its duties. The Board endeavours to present a fair, balanced and understandable assessment of the Company’s position and prospects on an annual basis.

Remuneration – the Remuneration Committee ensures that there is a formal and transparent process for determining and reporting on Executive Director remuneration. Performance measures are linked to our strategic priorities, with alignment between Director and shareholder interests. Performance-related elements of pay are stretching and rigorously applied. The remuneration policy was approved by shareholders at the May 2017 AGM.

Relations with shareholders – the Board maintains an open dialogue with shareholders. Board members attend investor events throughout the year and encourage participation at the AGM.

LEADERSHIP

Board organisation

We believe the governance framework, as set out on page 65 underpins good governance practices and enables the Board to provide effective stewardship of the Company. The Board is responsible for the Company’s overall conduct, for setting its strategic aims, and for providing leadership and guidance to enable management to achieve the Company’s long-term objectives. The Board sets the ‘tone from the top’ and seeks to ensure there is a strong and effective system of corporate governance throughout the Group. In determining the Group’s strategy, the Board is conscious of its responsibilities not just to shareholders but also to clients, employees and other key stakeholders and seeks to ensure that the necessary corporate and management structures are in place for our strategy to be implemented effectively.

The UK Companies Act 2006 sets out a number of general duties to which all directors are expected to adhere. As Jersey incorporated company, Petrofac is not required to comply with this legislation. Nevertheless, our Directors are informed by UK practice and, in any event, act in good faith to promote the long-term success of the Company for the benefit of our shareholders and other stakeholders.

The Board has been structured to ensure that no single individual can dominate decision-making processes and we believe all Directors are able to work together in an atmosphere of openness, trust and mutual respect. As a unitary Board, our Directors share equal responsibility for all decisions taken, with Directors collectively responsible for the strategic direction of the Company. It is felt that having an effective working relationship between our Executive and Non-executive Directors provides a robust governance framework that is essential for the progression towards the Company’s strategic aims.

Board roles

Our Chairman is primarily responsible for the leadership and effectiveness of the Board, whilst maintaining a clear structure that permits the Board to both challenge and support management. He is accountable for promoting effective board relationships and the participation of all board members, thereby encouraging a culture of openness and debate, enabling the Board to fulfil all aspects of its role.

It is essential that all Directors see the Chairman as fair and impartial.

The Group Chief Executive is responsible for leadership and day-to-day management of the Group and for the design and execution of Company strategy. He is supported by his senior leadership team, whose details are outlined on pages 12 and 13. Together they are responsible for developing and implementing the Company’s strategic aims, driving execution, growing markets and client-base, and developing our people. Regular meetings between the Chairman and Group Chief Executive are held both before and after scheduled Board meetings, allowing general matters to be discussed and enabling them to reach a mutual understanding of each other’s views.

The Senior Independent Director (SID) is available to shareholders to answer any questions or concerns that cannot be addressed by either the Chairman or the Group Chief Executive. He is also available to gather the opinions and views of the Non-executive Directors and provides additional support to, and acts as a sounding board for, the Chairman on board-related matters. The Chairman and SID maintain regular contact between scheduled Board meetings and time is also set aside at each meeting for the Chairman to meet with the Non-executive Directors without the presence of management.

The relationships between these three roles are of particular importance, as these individuals represent the views of management and Directors, respectively.

The combination of these meetings also ensures that the Chairman is equally informed about the views of Executive Directors, representing management, and Non-executive Directors. This assists in the setting of meeting agendas and ensures all Directors contribute effectively through their individual and collective experiences. Each of our Directors has a varied career history and considerable effort has been taken to ensure that the Board has the right balance of skills, diversity and industry expertise. Our Non-executive Directors are encouraged to share their skills and experience, and each is well positioned to support management, whilst providing constructive challenge. A table setting out the Board’s skill set is on page 67.
BOARD COMPOSITION

At the date of this report, the Board has eight Directors comprising the Chairman, five Non-executive Directors and two Executive Directors. Full biographies of each of our Directors in office at the date of this report are shown on pages 66 and 67. Details of those Directors standing for re-election are also included in the 2019 Notice of Annual General Meeting (AGM).

Their key areas of responsibility are as follows:

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<tbody>
<tr>
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<td>• Promotes an open forum to facilitate effective contribution, challenge and debate for all Directors</td>
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<td>• Builds a well-balanced Board, with consideration given to succession planning and the Board’s composition</td>
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<tr>
<td>• Responsible for ensuring effective Board governance and oversees the Board evaluation process</td>
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<td>• Ensures effective communication with stakeholders, which allows interests to be represented at Board meetings</td>
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<tr>
<th>GROUP CHIEF EXECUTIVE</th>
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<tr>
<td>• Implements agreed strategy and objectives</td>
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<td>• Develops attainable goals and priorities</td>
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<td>• Provides leadership to the Group and day-to-day management of the Company</td>
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<tr>
<td>• Develops proposals to present to the Board on all areas reserved for its judgement and ensures the Board is fully informed of all key matters</td>
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<tr>
<td>• Develops Group policies for approval by the Board and ensures implementation</td>
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<td>• Maintains relationships with key external stakeholders, including investors, clients and government agencies</td>
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<td>• Manages the Group’s finances and is responsible for financial planning, and presenting and reporting accurate and timely historical financial information, both internally and externally</td>
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<td>• Ensures an effective financial control environment, fully compliant with regulations</td>
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<td>• Develops and implements the Group’s finance strategy and funding</td>
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<tr>
<td>• Manages the Group’s financial risks and for mitigating key elements of the Company’s risk profile</td>
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<tr>
<td>• Responsible for the delivery of IT and Communications strategies</td>
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<td>• Maintains relationships with key external stakeholders, including shareholders, lenders and credit rating agencies</td>
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<td>• Acts as a sounding board and confidant to the Chairman</td>
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<td>• Available to shareholders to answer questions that cannot be addressed by the Chairman or Group Chief Executive</td>
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<tr>
<td>• Meets with other Directors to appraise the Chairman’s performance annually, and on such other occasions as deemed appropriate</td>
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<td>• Acts as an intermediary for other independent Directors</td>
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<table>
<thead>
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<th>NON-EXECUTIVE DIRECTORS</th>
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<tr>
<td>• Support executive management, whilst providing constructive challenge and rigour</td>
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<tr>
<td>• Monitor the delivery of strategy within the risk management framework as set by the Board</td>
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<tr>
<td>• Bring sound judgement and objectivity to the Board’s decision-making process</td>
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<tr>
<td>• Review the integrity of financial information, controls and risk management processes</td>
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<tr>
<td>• Share skills, experience and knowledge from other industries and environments</td>
</tr>
<tr>
<td>• Have prime roles in the Board composition and succession planning processes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SECRETARY TO THE BOARD</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Acts as Secretary to the Board and its committees</td>
</tr>
<tr>
<td>• Advises the Board on all governance, legislation and regulatory requirements</td>
</tr>
<tr>
<td>• Puts in place processes designed to ensure compliance with Board procedures</td>
</tr>
<tr>
<td>• Facilitates the Board evaluation, induction and development processes</td>
</tr>
<tr>
<td>• Available to individual Directors in respect of Board procedures and provides general support and advice</td>
</tr>
<tr>
<td>BOARD ACTIVITIES DURING 2018</td>
</tr>
<tr>
<td>-----------------------------</td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
</tr>
<tr>
<td>• Held formal strategy review days with management, discussing the strategic plan and considering potential strategic initiatives</td>
</tr>
<tr>
<td>• Received progress updates on potential business prospects and opportunities at each meeting</td>
</tr>
<tr>
<td>• Received presentations on new strategic opportunities, including digital transformation initiatives</td>
</tr>
<tr>
<td>• Received detailed operational updates from each division</td>
</tr>
<tr>
<td><strong>Financial matters</strong></td>
</tr>
<tr>
<td>• Considered at length the Group’s financial performance, taking into consideration key contract progress and external trading challenges</td>
</tr>
<tr>
<td>• Approved the Group’s full and half-year financial statements and considered the Company’s pre-close trading updates</td>
</tr>
<tr>
<td>• Kept the Company’s financial reporting obligations under review, including consideration of impairment reviews, going concern and the viability statement</td>
</tr>
<tr>
<td>• Approved the budget, three-year business plan and funding plan. Reviewed regular reports on performance against budget, forecast and market expectations</td>
</tr>
<tr>
<td>• Reviewed reports on the financial position and prospects of the Group, including treasury management</td>
</tr>
<tr>
<td>• Reviewed and approved the refinancing of the Company’s credit facilities, tax policy and tax governance standard</td>
</tr>
<tr>
<td><strong>Risk management and internal controls</strong></td>
</tr>
<tr>
<td>• Reviewed the Group’s Enterprise Risk Management improvement programme</td>
</tr>
<tr>
<td>• Reviewed and approved the Company’s revised principal risks and formally articulated the Company’s risk appetite statements</td>
</tr>
<tr>
<td>• Reviewed and revised the Board’s Delegated Authority Framework</td>
</tr>
<tr>
<td>• Regularly reviewed significant enterprise risks, such as those associated with HSSEIA, Compliance and IT, including cyber-security</td>
</tr>
<tr>
<td>• Regularly reviewed legal update reports on matters impacting the Group</td>
</tr>
<tr>
<td>• Consideration of crisis management arrangements</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
</tr>
<tr>
<td>• Regularly reviewed reports from brokers and received an in-depth presentation from house brokers</td>
</tr>
<tr>
<td>• Discussed feedback from shareholder meetings held with the CEO, CFO, Chairman and Remuneration Committee Chairman</td>
</tr>
<tr>
<td>• Reviewed reports on regulatory and governance matters impacting the Group and the wider operating environment</td>
</tr>
<tr>
<td>• Approved the Group’s updated Modern Slavery Act Statement for publication, reaffirming the Board’s commitment to compliance with the Act throughout the business and our supply chain</td>
</tr>
<tr>
<td>• Reviewed and acknowledged the changes being introduced by the new UK Code</td>
</tr>
<tr>
<td><strong>Leadership &amp; people development</strong></td>
</tr>
<tr>
<td>• Approved Non-executive Director appointments, plus role and committee changes, which had been endorsed by the Nominations Committee</td>
</tr>
<tr>
<td>• Considered the Board evaluation findings, recommendations and actions to be put in place</td>
</tr>
<tr>
<td>• Amended the Non-executive Director fee structure and introduced a compulsory fee withholding arrangement for the quarterly purchase of Petrofac Limited shares</td>
</tr>
<tr>
<td>• Approved the terms of reference for a Workforce Engagement Forum</td>
</tr>
<tr>
<td><strong>Project approvals</strong></td>
</tr>
<tr>
<td>• In accordance with our delegated authority framework, several contracts and other matters requiring Board approval were considered during the year. Many of these projects remain at an early/bidding stage and further details will be provided as and when awarded</td>
</tr>
<tr>
<td>• Projects that were approved by the Board during the year and which have been awarded include the Thai Oil operations project, three Indian projects awarded at the start of 2018 and an offshore wind contract for TenneT in the Dutch North Sea</td>
</tr>
<tr>
<td>• Approval of the disposal of the JSD6000 installation vessel</td>
</tr>
<tr>
<td>• Considered and approved the IES disposal programme, including the sale of 49% of the Company’s Mexican operations, the sale of the Company’s interest in the Chergui gas concession in Tunisia, and the sale of the Company’s interest in the Greater Stella Area development</td>
</tr>
</tbody>
</table>
COMMITTEE ACTIVITIES DURING 2018

Audit Committee (%)
- Risk management and internal control systems 35%
- Financial reporting 27%
- External audit, including non-audit services review 15%
- Governance matters, including audit tender process 11%
- Tax update 7%
- Compliance 7%

Compliance and Ethics Committee (%)
- Code of Conduct/Whistleblowing 24%
- Compliance strategy 41%
- Functional review 11%
- Governance/Other 10%
- Risk management 10%
- Third Party Risk Committee 4%

Nominations Committee (%)
- Succession planning 31%
- Organisational change/people development 29%
- Board composition 26%
- Governance/Other 14%

Remuneration Committee (%)
- 2018 remuneration arrangements, including grant of awards 47%
- Governance/Other 22%
- Investor Consultation 5%
- Review of external environment 3%
- Review of share plans and performance conditions 23%

2018 BOARD CALENDAR

The Board has a full programme of Board meetings and, in addition to the scheduled face-to-face meetings that are arranged each year, telephonic meetings to review any items of business that need to be addressed before the next physical meeting, as well as trading updates, are also included in the corporate calendar. Dedicated strategy days and site visits also form part of our annual programme of events. During 2018, in addition to the six physical meetings, three telephonic meetings were held.

For meetings held outside Jersey, we arrange, where feasible, for the Board to be given the opportunity to meet with employees, clients, suppliers and partners, as it is felt this allows the Board to gain a wider understanding of Petrofac and its operations. Details of the 2018 site visit are set out on page 72.

Board and committee attendance

<table>
<thead>
<tr>
<th>Director</th>
<th>Role</th>
<th>Board appointment date</th>
<th>Board (physical)</th>
<th>Board (ad hoc/ telephonic)</th>
<th>Audit Committee</th>
<th>Nominations Committee</th>
<th>Remuneration Committee</th>
<th>Compliance and Ethics Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>René Médori</td>
<td>Chairman</td>
<td>January 2012</td>
<td>6/6</td>
<td>3/3</td>
<td>4/4</td>
<td>5/5</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Andrea Abt</td>
<td>Non-executive Director</td>
<td>May 2016</td>
<td>6/6</td>
<td>2/3</td>
<td>–</td>
<td>5/5</td>
<td>4/4</td>
<td>5/5</td>
</tr>
<tr>
<td>Matthias Bichsel</td>
<td>Senior Independent Director</td>
<td>May 2015</td>
<td>6/6</td>
<td>3/3</td>
<td>4/4</td>
<td>5/5</td>
<td>4/4</td>
<td>5/5</td>
</tr>
<tr>
<td>Sara Akkar1</td>
<td>Non-executive Director</td>
<td>January 2018</td>
<td>5/6</td>
<td>2/3</td>
<td>–</td>
<td>3/4</td>
<td>3/4</td>
<td>–</td>
</tr>
<tr>
<td>David Davies2</td>
<td>Non-executive Director</td>
<td>May 2018</td>
<td>3/4</td>
<td>2/2</td>
<td>2/2</td>
<td>2/3</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>George Pierson</td>
<td>Non-executive Director</td>
<td>May 2016</td>
<td>6/6</td>
<td>3/3</td>
<td>4/4</td>
<td>5/5</td>
<td>–</td>
<td>5/5</td>
</tr>
<tr>
<td>Alastair Cochran</td>
<td>Chief Financial Officer</td>
<td>October 2016</td>
<td>6/6</td>
<td>3/3</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Former Directors
- Rijnhard van Tets4 Chairman | May 2007 | 3/3 | 1/1 | – | 3/3 | – | – |

1 Sara Akkar was absent from one scheduled Board, Nominations and Remuneration Committee meeting due to a family bereavement
2 David Davies joined the Board on 18 May 2018. He was absent from one Board meeting and one Nominations Committee meeting as a result of a pre-existing commitment
3 Ayman Asfari was reappointed to the Nominations Committee from 1 March 2018
4 Rijnhard van Tets stepped down from the Board on 18 May 2018
5 Time is scheduled at every Board meeting for the Chairman to meet with the Non-executive Directors without the Executive Directors or management present
6 Ad hoc meetings are usually held on short notice to discuss matters which cannot be held over until the next scheduled meeting
Meeting attendance
In addition to the full programme of Board meetings detailed on page 71, Directors are encouraged to be open and forthright in their approach. We believe this boardroom culture helps to forge strong working relationships, whilst enabling Directors to engage fully with the Company, and allowing them to make their best possible contribution. All Directors are invited to attend Audit Committee meetings and the Chairman of the Board and Group Chief Executive are invited to attend Remuneration Committee meetings, where appropriate.

To enhance their knowledge of the business further, and as part of the process of maintaining an awareness of the Company’s strategic activities and assessing the ability of the management team, members of operational and functional management, one and two tiers below director level, are invited to present at Board and committee meetings. It is felt these presentations enable Directors to deepen their understanding of Petrofac at both a local and functional level, while gaining an awareness of specific nuances that may not always be obvious within written reports.

It also affords senior managers the opportunity to bring matters to the attention of the Board and allows the Board to consider key individuals identified through the succession planning process. Management is also given the opportunity to meet the Directors informally during the year as the Board believes these meetings to be valuable for personal development.

Dealing with potential conflicts of interest
The Company’s Articles of Association permit the Board to authorise conflicts which can be limited in scope. During 2018, all conflict management procedures were adhered to, managed and reported effectively.

In the event that any potential conflict arises during a term of appointment, processes and procedures have been put in place for Directors to identify and declare any actual or potential conflict of interest, whether matter-specific or situational. Notifications are required to be made by the Director concerned prior to or at a Board meeting. All Directors have a duty to update the whole Board of any changes in personal circumstances.

EFFECTIVENESS
Board appointments and selection
The Company has a formal, rigorous and transparent selection procedure for the appointment of new Directors. The Nominations Committee carefully considers Board composition throughout the year to ensure it maintains the right balance and mix of directors, taking into account experience, skills and diversity. Care is taken to understand existing external commitments of all Non-executive Directors, who, on appointment, are each made aware of the need to allocate sufficient time to the Company to discharge their responsibilities effectively. Any changes to a Director’s external commitments following appointment must be notified to the Board immediately in order that any potential conflict of interest, time commitment challenge or residency status issues can be considered.

A detailed report on the activities of the Nominations Committee is provided on pages 80 and 81.

BOARD SITE VISIT
In January 2018, the Board and several members of senior management visited the BorWin3 topside platform, which was under construction at the Dubai Drydocks World in UAE.

During the visit, they met with engineering teams and graduates. They also received a presentation from the Project Director, who outlined the project progress and discussed the considerations and risk controls being put in place for project completion, including the sailaway process from UAE to the German North Sea (details of this project are set out on page 8).

The Directors were given a tour of the different areas of the platform and the main hubs of activity and were struck by the sheer scale of the structure and the level of activity taking place on site.

We believe that site visits are an invaluable way of helping members of the Board to put the projects they hear about in the boardroom into perspective. They give our Directors the opportunity to gain a deeper understanding of project operations and allow them to experience first-hand some of the challenges and extreme working conditions being faced day-to-day by our employees and contractors, in what can sometimes be difficult and remote locations.

It is for these reasons that such visits are included in the Board’s annual corporate calendar and why they are often considered to be one of the highlights of the year.
Re-appointment of Directors
In accordance with the UK Code, all Directors, other than those who are stepping down immediately after the AGM, offer themselves for reappointment by shareholders at each AGM. Both our Executive Directors have rolling service contracts, containing a notice period provision of 12 months by either party. Our Non-executive Directors have letters of appointment that contain a termination provision of three months’ notice by either party. The terms and conditions of appointment of all Directors are available for inspection by anyone at our registered office in Jersey and at our corporate services office in London. Details of these provisions are also set out in the service contracts and letters of appointment, as detailed in the remuneration policy, which can be found at www.petrofac.com/remuneration.

Director induction
Upon appointment to the Board, the Chairman ensures that all new Directors undertake a comprehensive induction programme. This programme, developed by the Secretary to the Board, is intended to provide a broad introduction to the Group and allows the Company to account for individuals’ differing requirements and to concentrate on key focus areas. This ensures each Director is fully prepared for their new role, taking their background and experience into consideration. All new appointees spend time with each of the Executive Directors as well as senior members of operational and functional management, both individually and collectively. A comprehensive induction pack, which contains a wide range of materials, is also provided to each new Director prior to them joining the Board.

All Directors visit the Group’s main operating office as part of their induction and they are encouraged to make at least one site visit each year throughout their tenure. Site visits are regarded as an important part of continuing education as well as an essential part of the induction process, as they help Directors understand the Group’s activities through direct experience of seeing operations in action and by having discussions with a range of employees.

Details of the 2018 site visit are set out on page 72. For new Non-executive Directors for whom the appointment is their first to a UK-listed company, the induction programme also includes a compulsory presentation led by our external legal advisers on the duties, responsibilities and obligations of being a UK-listed company director. In addition, depending on which committees they will join, presentations are provided by the Group’s auditors and remuneration consultants.

During 2018, tailored induction programmes were designed for our two newly appointed Non-executive Directors. These programmes were designed to reflect their background, experience, knowledge and committee appointments. The induction programmes covered the Company’s history, culture, strategy, structure and operations as well as the corporate governance framework and policies, the Board and committee’s process, Code of Conduct and Directors’ duties. Details of their individual programmes are set out below.

Board information and support
As part of our commitment to best practice, and as recommended by the UK Code, we endeavour to provide information to the Board in a timely manner and in a form and quality appropriate to enable it to discharge its duties effectively. Papers are provided electronically through a dedicated secure application, giving Directors instant access to them, as well as additional reference documentation about the Group.

A tailored approach to developing agendas is adopted for each meeting, with each agenda comprising non-recurring items, such as strategic matters or project specific and investment related opportunities. Operational and financial matters are reviewed and discussed at each meeting. We believe the flexibility of this approach allows Directors to engage effectively and encourages scrutiny and constructive debate, with Non-executive Directors able to seek clarification from management where required. Any actions arising from meetings are overseen by the Company Secretariat and updated action lists inform the agenda for the next scheduled meeting.

<table>
<thead>
<tr>
<th>Name, position and date of joining the Board</th>
<th>Strengths</th>
<th>Focus areas</th>
<th>Induction programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sara Akbar</td>
<td>Over 35 years’ experience in the oil and gas industry</td>
<td>Increase knowledge of Petrofac</td>
<td>Met and received detailed presentations from Group functional heads</td>
</tr>
<tr>
<td>Non-executive Director</td>
<td>Distinct insight into the Middle Eastern environment</td>
<td>Meet with senior management teams</td>
<td>Met and received detailed presentations from operational heads</td>
</tr>
<tr>
<td>25 January 2018</td>
<td>Strong experience of operational and project management</td>
<td>Understand UK governance framework, including Board committee activities and obligations</td>
<td>Meetings with key advisers, including corporate lawyers, brokers and remuneration consultants</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Site visit to BorWin3 topside platform with the Board</td>
<td>Site visit to Oman to be arranged during 2019</td>
</tr>
<tr>
<td>David Davies</td>
<td>Broad commercial experience from previous executive and non-executive roles, with significant experience as a director of UK-listed companies</td>
<td>Increase knowledge of Petrofac</td>
<td>Met and received detailed presentations from Group functional heads</td>
</tr>
<tr>
<td>Non-executive Director</td>
<td>More than 35 years’ experience as a financial professional</td>
<td>Meet with senior management teams</td>
<td>Met and received detailed presentations from operational heads</td>
</tr>
<tr>
<td>18 May 2018</td>
<td>Deep understanding of the broader industrial sector</td>
<td></td>
<td>Meetings with key advisors, including corporate lawyers, brokers and auditors</td>
</tr>
</tbody>
</table>


Deeds of indemnity
In accordance with our Articles of Association, and to the maximum extent permitted by Jersey Law, all Directors and Officers of Petrofac Limited are provided with deeds of indemnity in respect of liabilities that may be incurred as a result of their office. In addition, Petrofac has appropriate insurance coverage in respect of legal action that may be brought against its Directors and Officers. Neither the Company’s indemnities nor insurance would provide any cover where a Director or Officer was found to have acted fraudulently or dishonestly.

Director development and training
The Board believes in the ongoing education and development of its Directors and is committed to providing continuing personal training opportunities, tailored to each individual. The Company does not run a ‘one-size-fits-all’ training programme but provides Directors with the necessary resources to refresh, update and enhance their skills, knowledge and capabilities, and receive relevant training when necessary. Board members are also encouraged to attend seminars, conferences and training events to keep up-to-date on developments in key areas. In addition to regular updates on legal and regulatory matters, the Board receives briefings from advisors on a variety of topics that are relevant to the Group and its strategy.

During 2018, training was received through a mixture of formal and informal seminars. Directors were also briefed by the Secretary to the Board on the updated requirements of the new UK Code and other key governance matters. All Directors are required to complete the Company’s e-learning training modules, which include the Code of Conduct, Share Dealing Code, Anti-Bribery and Corruption Standard, and Health and Safety Training. Training records for all Directors are maintained by the Company Secretariat and are reviewed during the annual Board evaluation process. Over the course of 2018, more than 200 hours of training were recorded.

Board evaluation
The benefits of annual performance evaluations are clearly understood. The Board believes such evaluations can provide a valuable opportunity for recognised strengths to be highlighted and for weaknesses to be identified, thereby improving overall Board effectiveness. The evaluation process is also seen as an important means of monitoring progress against areas previously identified for improvement, recognising any specific training requirements, and identifying areas of expertise or diversity that should be considered in succession plans.

In accordance with the UK Code, the Board undertakes a formal review of its performance each year, ensuring it is externally facilitated at least once every three years and conducted internally in the intervening years by the Chairman and the Secretary to the Board. During 2018, the internal evaluation review was completed using a confidential online self-assessment tool, using the Thinking Board® platform created by Independent Audit, an advisory firm who work with many FTSE companies in numerous areas of governance, including board evaluation. The detailed self-assessment questionnaire focused on matters such as performance, strategy, dynamics, and risk management and aimed to address issues raised in previous evaluations, as well as consider how the Board currently interacts both with other Directors and with management.

The responses were collated and provided on an anonymous basis to the Chairman. This enabled him to discuss the questionnaire outputs with Directors and to assess performance and contribution, identifying development areas for individuals and the Board as a whole. In consultation with the Secretary to the Board, a detailed report was prepared and presented at the February 2019 Board meeting. The process provided the Board with the opportunity to reflect on how it operates and where improvements can be made. Given the Board changes that have taken place during the year, the overall outcome of the evaluation process was positive.

As a result of this year’s evaluation, the Directors remain content that the Board structure, balance of skills, and operation continue to be satisfactory and appropriate for the Group. It was also pleasing to note that the evaluation concluded that the Board continues to function well, with each Director able to allocate sufficient time to discharge his or her responsibilities effectively. While recognising where improvements have been made from prior years, the evaluation identified areas of focus for 2019 and some of the Board’s priorities for the year are set out opposite, with an overview of the progress made against prior actions.

It was suggested that in accordance with best practice, consideration be given to undertaking reviews on the effectiveness of Board committees during the year, ahead of the external evaluation which will be carried out at the end of 2019.

Dr Bichsel, as Senior Independent Director, solicited the views of other Directors on the Chairman’s performance, before carrying out his formal evaluation. The outcome of the evaluation was reported back to the Chairman and it was confirmed to the Board that René’s leadership was effective.

In addition to considering the results of this year’s evaluation, the Directors reviewed progress against the targets previously identified where the Board might improve and these are set out in the charts opposite.
The Company’s annual evaluation process enables the Chairman to assess individuals’ performance and contribution and identify development areas for individuals and the Board as a whole.

### 2017 Evaluation – Improvement areas identified

<table>
<thead>
<tr>
<th>Area</th>
<th>Actions taken</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy</strong></td>
<td>Deep dives into key areas planned to help define and determine a more focused strategic agenda. A roadmap developed in terms of business direction and geographical concentration, with a continued increase in focus on innovation and digital transformation and preparedness.</td>
</tr>
<tr>
<td><strong>Succession planning</strong></td>
<td>Three in-depth talent reviews held to consider the capabilities and competencies required both on the Board and within the senior management team. Progression of emerging talent also reviewed to check processes and monitor future potential leaders.</td>
</tr>
<tr>
<td><strong>Compliance and risk management</strong></td>
<td>A formal review of the Key Risk Register and consideration of the Company’s risks appetite was undertaken during the year. The risks and challenges that may affect the business were included on meeting agendas. The further embedding of the compliance agenda took place across the Group.</td>
</tr>
<tr>
<td><strong>Financial planning</strong></td>
<td>Focus given to financial planning, such that significant improvements were seen in the Company’s working capital management. Capital and asset intensity reduced in accordance with the Company’s published strategy.</td>
</tr>
</tbody>
</table>

### 2018 Evaluation – Areas of focus identified

<table>
<thead>
<tr>
<th>Area</th>
<th>Actions to be taken</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy</strong></td>
<td>Consideration to be given to understanding how market shifts could impact the Company’s strategy and ensuring the Company has the right skills and characteristics in place to underpin the future strategic direction.</td>
</tr>
<tr>
<td><strong>Succession planning</strong></td>
<td>Continued focus on talent management processes to ensure clear management succession and development plans are in place. Ongoing focus on diversity and ensuring the Board maintains the right mix of specialisms and experience.</td>
</tr>
<tr>
<td><strong>Compliance and risk management</strong></td>
<td>Devote additional time to risk management, including non-operational risk to ensure there remains a line of sight into risks and mitigation actions. Continued focus given to cyber-security risks and any necessary improvements. Roll out the updated Code of Conduct and support the communication of the compliance policies, to ensure greater alignment of the compliance agenda across the Group.</td>
</tr>
<tr>
<td><strong>Culture and values</strong></td>
<td>Ensure the Company’s values, and the behaviours associated with them, are clearly understood, consistently applied and in line with expectations. Find ways in and outside the boardroom to benefit from Non-executive Directors’ experience.</td>
</tr>
</tbody>
</table>

### PERFORMANCE EVALUATION PROCESS

- **2017 Internal Board evaluation conducted by Chairman**
  - Areas of focus highlighted and improvement areas identified

- **2018 Internal Board evaluation conducted by Chairman**
  - **Step 1 – Plan**
    - The Chairman and Secretary to the Board considered the approach to be taken
  - **Step 2 – Questionnaire issued**
    - A confidential comprehensive questionnaire was developed and issued to each Director

- **2019 Externally facilitated Board evaluation process**
  - **Step 3 – Compilation of responses**
    - The Secretary to the Board analysed Director responses and feedback. A report was provided to the Chairman for consideration, which was subsequently shared with the Board
  - **Step 4 – Actions agreed**
    - Following discussions, objectives for the next 12 months were set taking into consideration areas identified for further improvement

The Board evaluation process was internally led in 2018, ahead of the three-yearly external evaluation which is scheduled to take place towards the end of 2019.
ACCOUNTABILITY
The Audit Committee
The Audit Committee’s report which details the responsibilities and main activities undertaken during 2018 is set out on pages 82 to 87.

Risk management and system of internal control
In accordance with FRC guidance, the Board is responsible for monitoring and reviewing the effectiveness of Petrofac’s risk management and systems of internal control. Regular management reports are received throughout the year that outline the Group’s material enterprise risks, with additional reports being submitted by internal and external auditors and Group Compliance to assist the Audit Committee, and ultimately the Board, in their annual assessment of the effectiveness of the Group’s risk management and system of internal control. The Board has also established an organisational structure with clear operating procedures and defined delegated authorities.

Petrofac also seeks to ensure that a sound system of internal controls, based on the Group’s policies and guidelines, is in place in all material associate and joint arrangement entities. As with all companies, our systems of internal control and risk management are designed to identify, mitigate and manage rather than eliminate business risk and can only ever provide reasonable, and not absolute, assurance against material financial misstatement or fraud.

Fair, balanced and understandable
To facilitate the year-end process, the Audit Committee has the responsibility of assessing a detailed review of risk management and internal control processes. This provides formal assurance to the Board on the robustness, integrity and effectiveness of these systems and controls in relation to the Group’s principal risks, including those which may threaten the Group’s strategy, business model, future performance, solvency and liquidity.

The reviewed processes enable the Board to consider the adequacy of the systems in place.

The Board is satisfied that sound risk management and systems of internal controls have been in place across the Group throughout 2018 and at the date when the 2018 financial statements were approved.

This review also enables the Board to assess whether the Annual Report and Accounts is fair, balanced and understandable, as required by the UK Code and to consider whether it provides shareholders with the necessary information to determine the Company’s performance, business model and strategy.

Regulatory investigation
The Company reported in the 2018 Annual Report that on 12 May 2017, the Serious Fraud Office (SFO) had commenced an investigation into the activities of Petrofac, its subsidiaries and their officers for suspected bribery, corruption, and/or money laundering. During the year the Board received regular updates on this ongoing investigation.

In February 2019, a former employee of a Petrofac subsidiary admitted offences contrary to the UK Bribery Act 2010. No charges have been brought against any Group company or any other officer or employee to date. Although not charged, a number of Petrofac individuals and entities are alleged to have acted together with the individual concerned. The SFO investigation remains ongoing. The existence, timing and amount of any future financial obligations (such as fines or penalties) or other consequences are unable to be determined at this time and no liability has been recognised in relation to this matter in the consolidated balance sheet at the end of the reporting period.

Code of Conduct and Speak Up
The Compliance and Ethics Committee is responsible for reviewing the adequacy and effectiveness of the Group’s compliance activities, which include the Company’s Speak Up Policy. Further details of our compliance practices are provided on page 62. The Compliance and Ethics Committee reviews the status of all investigations conducted as a result of any alleged Code of Conduct breaches received during the year, and liaises, as required, with the Audit Committee, in the event the alleged breach is of a financial nature. Further details are set out on page 89.

Security
The Board has continued to strive for a safe and secure working environment within our geographies, which include a number of areas where low oil prices have meant straitened economies. To this end, a focus on territories in which the security threat may not be obvious but where low level criminality and economic hardship could adversely affect our staff or performance has been critical. The emphasis for this project remains the education and empowerment of all personnel through the representatives of the HSSEA function in order to provide the most effective impact.

Crisis management
Building on two years of focused improvement, the Company intends to increase the testing and exercising of its crisis management systems during 2019 with the aim of consolidating a best-in-class response capability. We will continue to provide training for all three tiers of our command and control structure while further developing our Business Continuity preparedness. The Company also has procedures in place for Directors to have access to independent external advice at the Company’s expense, where they judge it necessary in order to discharge their responsibilities.
RELATIONS WITH SHAREHOLDERS

Stakeholder engagement

The Board recognises the importance of establishing and maintaining good relationships with the Company’s shareholders; as a result, open and constructive engagement is considered vital to understanding shareholders’ views. This helps ensure what we report on is correctly linked to our market risks and opportunities (further details on page 44).

Our Investor Relations team acts as a focal point for contact with investors throughout the year and a programme of meetings with both existing and potential shareholders, as well as analyst and investor meetings, is scheduled annually by the team. This IR programme includes presentations to institutional investors and research analysts, as well as question and answer sessions with stakeholders following the publication of our full and half-year financial results. These presentations are streamed via a live webcast for those unable to attend in person and these continue to be available on our website after broadcast. In addition, management arrange calls and meetings with these groups following the release of any trading updates to the market. Brokers’ research notes are regularly circulated to all Directors and a formal broker’s report is circulated to Directors in advance of each Board meeting.

The Group Chief Executive and Chief Financial Officer maintain a regular dialogue with institutional shareholders through a programme of one-to-one and other meetings throughout the year, primarily focusing on operational matters. More than 46% of the meetings held during the year were attended by the Group Chief Executive and/or the Chief Financial Officer.

Additionally, as detailed further on pages 64 and 90, during 2018 meetings with key stakeholders to discuss governance and remuneration issues were held with the Chairman and/or the Senior Independent Director. Furthermore, discussions are held throughout the year with our corporate brokers to better understand shareholder sentiment in light of ongoing market pressures and to gain insights into governance matters, in general, and succession planning in particular, from a shareholder perspective. The Board will continue to focus on stakeholder engagement more widely over the next year, continuing to build a comprehensive stakeholder engagement programme.

2018 shareholder meetings calendar

<table>
<thead>
<tr>
<th>Month</th>
<th>Number of shareholder meetings held during the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>5</td>
</tr>
<tr>
<td>February</td>
<td>8¹</td>
</tr>
<tr>
<td>March</td>
<td>40</td>
</tr>
<tr>
<td>April</td>
<td>21</td>
</tr>
<tr>
<td>May</td>
<td>13</td>
</tr>
<tr>
<td>June</td>
<td>32</td>
</tr>
<tr>
<td>July</td>
<td>7</td>
</tr>
<tr>
<td>August</td>
<td>14¹</td>
</tr>
<tr>
<td>September</td>
<td>23</td>
</tr>
<tr>
<td>October</td>
<td>2</td>
</tr>
<tr>
<td>November</td>
<td>34</td>
</tr>
<tr>
<td>December</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>202</td>
</tr>
</tbody>
</table>

¹ Including Full Year and Half Year Results. Live webcast of analyst/investor presentations (replay available on our website).

Shareholder distribution

Meetings held with shareholders by country

- UK: 81.5%
- US and Canada: 10.5%
- Europe: 7.0%
- Other: 1.0%

Shareholders (ownership) by territory

- UK: 56.0%
- US and Canada: 23.5%
- Rest of Europe: 19.7%
- Rest of World: 0.8%

Major shareholders

In accordance with the FCA’s Disclosure Guidance and Transparency Rules (DTR5), as at 31 December 2018, the Company had received notification of the following material interests in voting rights over the Company’s issued ordinary share capital:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of ordinary shares notified as at 31 December 2018</th>
<th>Percentage of issued share capital as at 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayman Asfari and family</td>
<td>64,982,226</td>
<td>18.79%</td>
</tr>
<tr>
<td>Toscafund Asset Management LLP</td>
<td>22,559,813</td>
<td>6.52%</td>
</tr>
<tr>
<td>Stakeholder</td>
<td>Why we engage</td>
<td>How we engage</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Employees</td>
<td>Our employees, their attitude and skills set us apart from our competitors. We are committed to ensuring we have safe and effective working environments, which can enable everyone within the business to perform to their true potential</td>
<td>• Meeting with employees during site visits</td>
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<tr>
<td></td>
<td></td>
<td>• Regular interaction with the management team during and after Board meetings</td>
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<tr>
<td></td>
<td></td>
<td>• Creation of a new Workforce Engagement Forum from January 2019</td>
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<td></td>
<td></td>
<td>• Management of townhalls held throughout the year</td>
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<td></td>
<td></td>
<td>• Annual employee surveys</td>
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<tr>
<td></td>
<td></td>
<td>• Through the internal website</td>
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<tr>
<td>Investors and shareholders</td>
<td>Delivering a strong return to our investors is a key priority for the Board</td>
<td>• Meetings with key investors to discuss strategy and operational performance; roadshows at full and half year end</td>
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<tr>
<td></td>
<td></td>
<td>• Regular updates from Investor Relations team on investor sentiment, in and after Board meetings</td>
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<td></td>
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<td>• All shareholders are given an opportunity to pose questions to the Board at our AGM</td>
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<tr>
<td>Communities</td>
<td>We actively support local communities to develop closer ties and to manage the social and environmental impacts of our business in order to bring long-term sustainability to the communities where we work</td>
<td>• Public consultations</td>
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<td></td>
<td></td>
<td>• Ad hoc face-to-face meetings</td>
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<td></td>
<td></td>
<td>• A range of vocational development programmes with our local partners</td>
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<tr>
<td>Clients</td>
<td>To communicate the various operating issues and concerns so that they are understood and considered and to gain stakeholder feedback and views</td>
<td>• Ad hoc meetings with key clients</td>
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<tr>
<td></td>
<td></td>
<td>• At industry events</td>
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<td></td>
<td></td>
<td>• Through our website</td>
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<tr>
<td>Suppliers</td>
<td>Wherever the Company operates, we are committed to employing local people, working with local suppliers and developing local capabilities</td>
<td>• Industry events, such as EIC Connect Oil, Gas &amp; Beyond</td>
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<td></td>
<td></td>
<td>• Meetings with our supply chain partners</td>
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<tr>
<td>Governments and regulators</td>
<td>We work with governments on a range of issues impacting our business to influence policy changes</td>
<td>• Ad hoc meetings with Ministers and civil servants</td>
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<td></td>
<td></td>
<td>• Through the UK Regulator Oil and Gas Authority (OGA)</td>
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<td>• Responding to consultations with various government departments</td>
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<tr>
<td>Industry associations</td>
<td>We work with our peers to collaborate and address challenges and share best practice</td>
<td>• External representation on committees, e.g. Oil and Gas UK, the Energies Industry Council, and AMEX-II in Mexico</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Attendance at industry conferences and events</td>
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</tbody>
</table>
Share capital
As at the date of this report, the Company’s issued share capital consisted of 345,912,747 ordinary shares, carrying one vote each. The total voting rights at the date of this report are accordingly 345,912,747. The Company’s ordinary shares are quoted on the London Stock Exchange. There are no restrictions on the transfer of ordinary shares in the capital of the Company other than certain restrictions which may, from time to time, be imposed by law, for example, insider trading regulations.

In accordance with the EU Market Abuse Regulations certain Company employees, including all Directors, are required to seek approval from the Company to deal in its securities. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

The Board requires express authorisation from shareholders to issue or purchase ordinary shares in the Company. These authorities were granted by shareholders at the 2018 AGM. The Group has no current plans to exercise either of these authorities and will propose to renew them at the 2019 AGM. The Group has no current plans to exercise either of these authorities and will propose to renew them at the 2019 AGM. The Company’s Articles of Association may only be amended by special resolution at a general meeting of shareholders. Details relating to the rights and obligations attached to the Company’s ordinary shares are set out in the Company’s Articles of Association.

Workforce engagement
In light of the changes recommended by the new UK Code, the Board took a significant step towards increasing workforce engagement by establishing a new Workforce Forum. This Forum will meet bi-annually and will be attended by at least two Non-executive Directors. The Forum is intended to supplement the many existing processes of information exchange between the Company and its employees and its purpose will be to enable the Board to better understand the views of the Company’s workforce and take these into consideration during Board discussions and decision making.

Director shareholdings
As detailed further on page 99, during the year the Chairman and Non-executive Directors used a portion of their quarterly fees to purchase Petrofac Limited shares, further aligning Directors’ interests with those of our shareholders.

Shareholder communications
The Board recognises the importance of shareholder communications and considerable emphasis is placed on these communications, whether they are institutional or private shareholders. All financial reports and shareholder documents, regulatory market announcements, together with recorded interviews, are available on our website, which we believe allows shareholders to become more informed investors.

Annual General Meeting (AGM)
Full details of this year’s AGM, which will be held in London, are set out in the Notice of Meeting which accompanies this report and which is also available on our website. As a matter of good practice, all resolutions will be conducted on a poll and the results will be announced to the market as soon as practicable after the meeting. All shareholders are invited to attend the Company’s AGM at which they have the opportunity to put questions to the Board and meet with those Directors who are able to attend. Shareholders who are unable to attend the AGM are invited to email questions in advance to agmquestions@petrofac.com.

I look forward to seeing as many of you as possible at my first AGM as your Chairman, when my colleagues and I will be available to answer your questions.

René Médori
Chairman
27 February 2019