

**CORPORATE  
GOVERNANCE  
NOMINATIONS  
COMMITTEE REPORT**



**René Médori**  
Chairman

**Role of the Committee/Responsibilities:**

- ▶ Review the composition, size and structure of the Board and its committees, taking into consideration the skills, knowledge, experience, diversity of gender, social and ethnic backgrounds and cognitive and personal strengths of Directors
- ▶ Identify and recommend for Board approval suitable candidates to be appointed to the Board, fully evaluating the balance of existing skills, knowledge and experience required to support the strategic objectives of the Group
- ▶ Consider the effectiveness and rigour of the succession planning processes for the Group and maintain oversight of the development of a diverse pipeline for succession to both Board and senior management roles

**Membership and attendance at meetings held in 2019**

Members	Meetings attended and held
René Médori	●●●●●
Andrea Abt <sup>1</sup>	●●●●●
Sara Akbar	●●●●●
Ayman Asfari	●●●●●
Matthias Bichsel	●●●●●
David Davies <sup>1</sup>	●●●●●
Francesca Di Carlo <sup>2</sup>	●●
George Pierson	●●●●●

1 Andrea Abt and David Davies were both unable to attend one meeting due to prior engagements.  
2 Francesca Di Carlo joined the Board in May 2020.

**How the Committee spent its time during the year – 2019**



**Terms of reference**

The Committee reviewed and updated its terms of reference during the year. Copies are available on our website at [www.petrofac.com](http://www.petrofac.com).

**Dear shareholder**

During 2019, the Committee continued to focus on succession planning, both at Board and senior management level. Internal talent reviews, which were supplemented with external benchmarking exercises, were also carried out to facilitate our restructuring opportunities. The Committee devoted significant time to discussing leadership capability and talent management across the Group, in addition to a number of diversity initiatives. Oversight was also provided for long- and short-term plans to ensure all proposed management changes were implemented effectively and efficiently.

In accordance with the UK Corporate Governance Code (UK Code), an external board evaluation was carried out during the year, see pages 74 and 75. The Committee also considered the views of employees through agreed arrangements, including participation at the newly formed Workforce Forum, and by reviewing the outcome from the annual employee survey. Further details on these activities are set out on pages 57 and 58.

**How does the Committee ensure there are the right skills, experience and behaviours on the Board?**

The Company has a formal, rigorous and transparent selection procedure for the appointment of all new Directors. The Committee is responsible for identifying and nominating all Board candidates and, before any appointment is made, evaluates the mix of skills, experience, knowledge and diversity to ensure the correct balance is maintained. Throughout the year, care is taken to understand Board composition to ensure it remains well-balanced with the multi-disciplinary skills and experience needed to support Petrofac's future plans.

To facilitate our external search processes, the Committee retains the services of specialist recruitment consultant Korn Ferry, a firm with which the Company retains for executive searches for Board and senior management positions. In addition, following Korn Ferry's acquisition of Hay Group, they are used by the Company for tasks relating to job evaluations, salary surveys and other HR consulting projects. As part of our search process, Korn Ferry is instructed to identify non-executive candidates who meet the skills and experience brief, while recognising that Petrofac remains committed to ensuring that all appointments are filled by the best available candidate, with complementary skills, capabilities, experience and background to address the Board's needs, irrespective of any other consideration.

**Were there any Board changes during the year?**

During the year we welcomed Francesca Di Carlo as a new Non-executive Director. Francesca, who has extensive experience in corporate development, audit and corporate finance, joined the Board with effect from 3 May 2019. She is currently Group Executive Vice President of HR and Organisation at Enel S.p.A, the Italian multinational energy company, and brings to the boardroom expertise across a range of functional areas. Details of our recruitment process and how they related to Francesca are set out on page 81. As a result of Francesca joining Petrofac, the Committee was pleased that the female representation on the Board reached 33%, the target recommendation set out within the Hampton-Alexander Review, an independent, business-led review supported by UK Government.

### What is the Company's induction process for Directors?

On appointment to the Board, all new Directors undertake a comprehensive induction programme. This programme 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 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. 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 advisors 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, brokers and remuneration consultants.

### What training is offered to Directors?

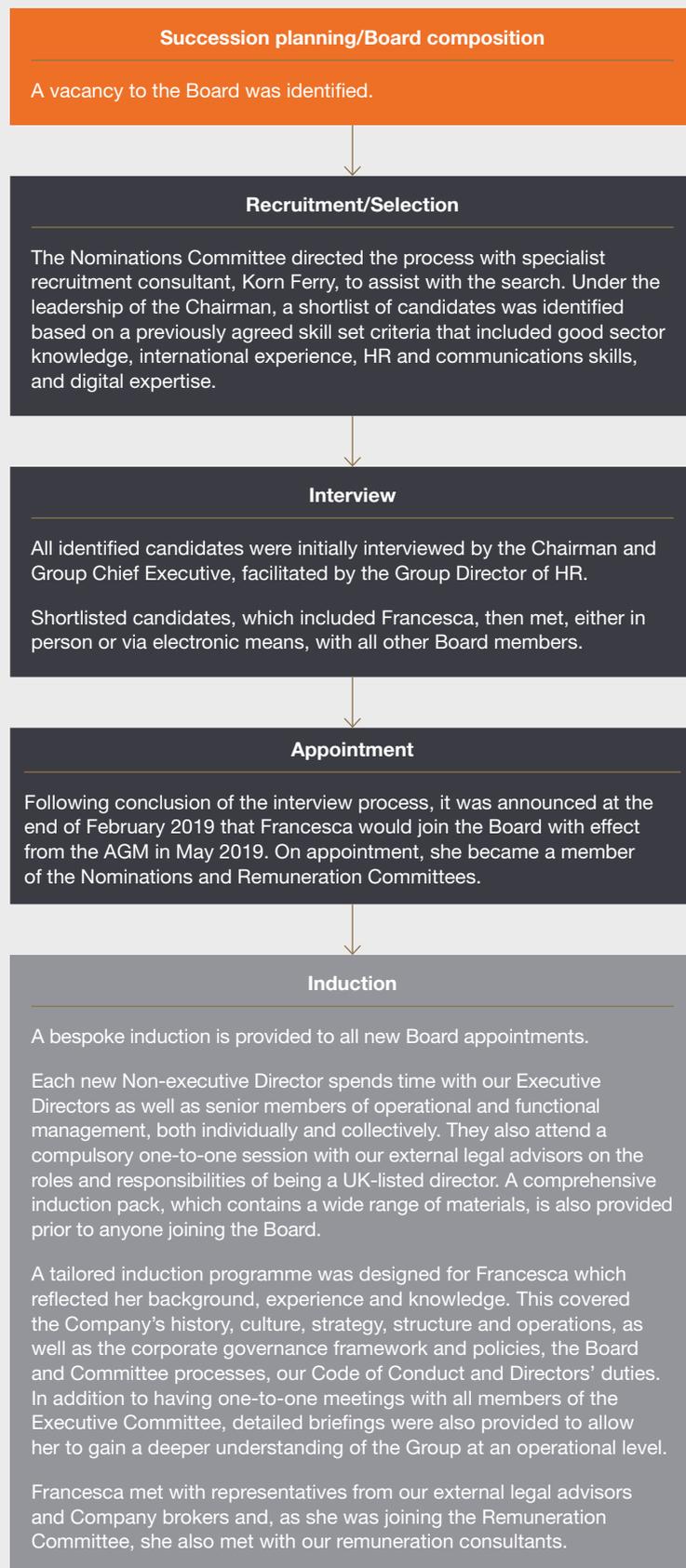
The Board believes in the ongoing education and development of its Directors and is committed to offering continuing training opportunities, tailored to each individual, that provide Directors with the necessary resources to refresh, update and enhance their skills, knowledge and capabilities. Board members are encouraged to attend seminars, conferences and training events as required. In addition, they receive regular updates on legal, regulatory and governance matters and where relevant, briefings from external advisors on a variety of topics that are significant for the Group and its strategy. In addition, 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 2019, more than 460 hours of training were recorded.

### How has the Committee considered succession planning and the leadership talent pipeline?

The Committee considers, in depth, the challenges and opportunities facing the Company in order to ascertain what skills and expertise will be needed on the Board to facilitate the Company's long-term success. During 2020, my succession will be a matter of consideration for the Committee as, in light of the changes introduced in the UK Code, my tenure on the Board will reach nine years in 2021. Once any decision has been taken, updates will be provided and full details provided in our 2020 report.

In conjunction with Board succession planning, the Committee also reviews with our HR and management teams the high potential talent from across the Group. The aim is to develop and promote a strong, resilient and diverse pipeline for the future, which is in line with the Company's purpose and values. This process is now integral to the Company's strategic plans, and effective succession planning and the development of a diverse talent pipeline have been key priorities for the Committee over the last few years. Talent review discussions are also undertaken starting from the most senior levels to those in grades several layers below the Board who have been identified by internal reviews as having high potential.

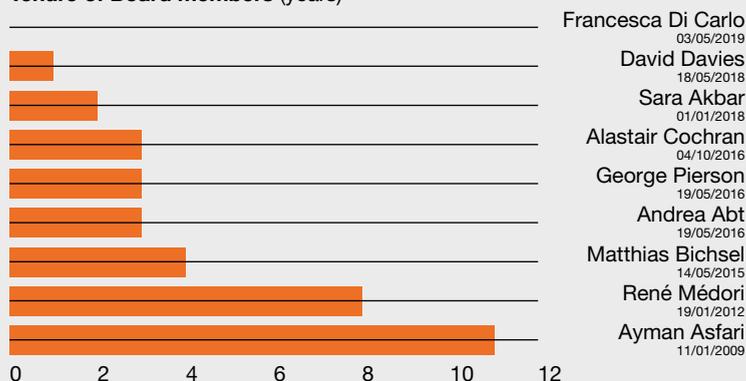
## Board search and recruitment process as applied to Francesca Di Carlo



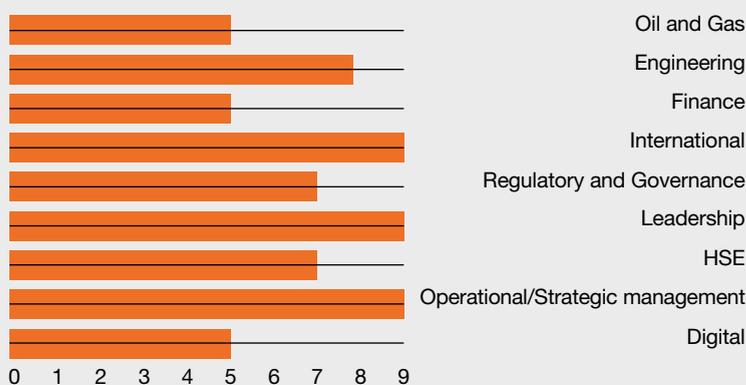
**CORPORATE  
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CONTINUED**

**Board snapshot**

Tenure of Board members (years)



Board skill set and experience

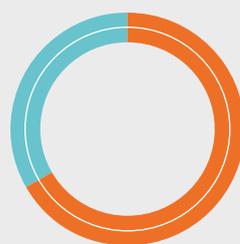


Executive and Non-executive Director balance



- Executive Directors 2
- Non-executive Directors 6
- Non-executive Chairman 1

Gender split of Board members



- Male 6
- Female 3

Geographical mix of Board members



- UK 3
- Continental Europe 4
- US 1
- Middle East 1

Gender diversity of Group (% of women in each category)



- Board 33%
- Group 10%
- Senior management 5%
- Graduates 22%

**What is the Committee's approach to inclusion and diversity?**

While the target set by Lord Davies in 2015 for female representation on the Board has been achieved, the Committee recognises this is not the same across the organisation. Progress has not been as advanced as we had initially hoped and, taking into consideration the Hampton-Alexander Review, we recognise we have much work to do to improve gender diversity across the Group. Improvements in overall diversity awareness have been made however, and a number of actions taken such that the continued promotion of diversity in its widest sense has led to greater engagement across the organisation throughout the year.

The Committee considers diversity to be a key factor in the Company's strategic success and remains committed to not only helping improve the levels of female representation throughout Petrofac, but to developing a diverse workforce and an inclusive working environment. In terms of national and ethnic diversity, Petrofac is a very diverse organisation and has already met the recommendation of the Parker review for FTSE 250 Boards to have at least one Director on the Board by 2021 who identifies as a person of colour.

The Company has worked hard to develop the talent management programmes to support and strengthen internal capabilities and build on the skills, knowledge and experience offered by our diverse workforce. Although engineering continues to be a predominately male-dominated profession, Petrofac is committed to developing initiatives that will enhance our talent pipeline. We are also committed to hiring more local nationals, including Country Leaders in the markets in which we operate.

Diversity in its widest sense has received much focus from the Committee in recent years. Oversight has been provided to ensure strategies are in place that will develop and strengthen our talent pipelines to deliver improvements and promote a culture that upholds the Group's principles of inclusion, diversity and equality. There are, of course, long-term challenges to overcome but we are determined that significant progress can be made in this area over the coming years. The Committee will continue to monitor the impact of the diversity initiatives being implemented by the business and will make recommendations to the Board on how to further promote diversity across the Group.

A Diversity and Inclusion policy, which is applicable to all employees, has been in place across the Group since August 2016. Its purpose is to ensure equality of opportunity and fairness in all areas of employment. It is believed that our policy allows us to value the diversity of our employees, while promoting an inclusive culture across the Group.

In 2019, a number of key actions were taken. A Diversity and Inclusion manager was appointed to provide greater diversity focus, drive the diversity agenda and develop a comprehensive strategy for review by the Board during 2020. Further details on the initiatives taken are set out on page 57. We will also seek to improve further our graduate programme targets as we continue to invest in the talent of those countries in which we operate. In 2019, 165 graduates were hired from 14 different countries, with 46% of the intake women.

**What will be the Committee's focus for the year ahead?**

The Committee is determined to see progress in the diversity agenda during 2020 and this will be a key topic at each meeting held during the year. In addition, succession and talent management will remain of significant focus both in the boardroom and across the wider organisation. I will report next year on how we are progressing these initiatives.

René Médori  
Chairman  
25 February 2020