Annual report
and accounts 2023

Meeting the world's evolving energy needs

Petrofac

Our purpose

We enable our clients to meet the world's evolving energy needs.

SEE OUR BUSINESS MODEL | **Page 20**

We are a leading energy services company that helps our clients meet the world's evolving energy needs. We use our engineering know-how and our consultancy expertise to design, build, and operate world-class energy facilities that are engineered for safety, optimal efficiency, and low emissions.

We operate in a range of markets and work across the entire asset life cycle – from design to decommissioning. These competencies, supported by flexible commercial models, differentiated local delivery, and a technology neutral approach, set us apart. Core to our offering is our distinctive, delivery-focused culture.

2023 overview

Revenue
US$2,496m
2022 (restated)[9] | US$2,567m

Backlog[8]
US$8.1bn
2022 | US$3.4bn

Free cash flow[7]
US$(223)m
2022 | US$(188)m

Business performance EBIT[1,4]
US$(393)m
2022 (restated)[9] | US$(229)m

Reported EBIT[5]
US$(418)m
2022 (restated)[9] | US$(236)m

Net debt
US$583m
2022 | US$349m

Business performance EBITDA[1,2]
US$(310)m
2022 (restated)[9] | US$(150)m

Reported EBITDA[3]
US$(340)m
2022 (restated)[9] | US$(162)m

CDP rating
B
2022 | B

Business performance net loss[1,6]
US$(485)m
2022 (restated)[9] | US$(294)m

Reported net loss[6]
US$(505)m
2022 (restated)[9] | US$(320)m

In-country value spend
47%
2022 | 32%

1. Business performance before separately disclosed items. This measures underlying business performance.
2. Business performance earnings before interest, tax, depreciation and amortisation (EBITDA) is calculated as business performance operating profit, including the share of net profit of associates and joint ventures, adjusted to add back charges for depreciation and amortisation (see A3 in Appendix A to the consolidated financial statements).
3. Reported earnings before interest, tax, depreciation and amortisation (EBITDA) is calculated as reported operating profit, including the share of net profit of associates and joint ventures, adjusted to add back charges for depreciation and amortisation (see A5 in Appendix A to the consolidated financial statements).
4. Business performance earnings before interest and tax (EBIT) is calculated as business performance operating profit, including the share of net profit of associates and joint ventures (see A4 in Appendix A of the condensed consolidated financial statements).
5. Reported earnings before interest and tax (EBIT) is calculated as reported operating profit, including the share of net profit of associates and joint ventures (see A6 in Appendix A of the condensed consolidated financial statements).
6. Attributable to Petrofac Limited shareholders, as reported in the consolidated income statement.
7. Free cash flow is defined as net cash flows from operating activities, plus net cash flows from investing activities, less interest paid and the repayment of finance lease principal plus amount received/paid from/to non-controlling interest (see A9 in Appendix A of the condensed consolidated financial statements).
8. Backlog consists of: the estimated revenue attributable to the uncompleted portion of Engineering & Construction operating segment contracts; and, for Asset Solutions, the estimated revenue attributable to the lesser of the remaining term of the contract and five years. The Group uses this key performance indicator as a measure of the visibility of future revenue.
9. The prior year numbers are restated as detailed in note 2.9 to the consolidated financial statements.

For the latest investor news, visit our website / **petrofac.com/investors**

Petrofac at a glance

Our vision
To be the preferred services partner to the energy industry.

Our purpose
We enable our clients to meet the world's evolving energy needs.

Wherever our clients are on their energy journey and whatever energy sector they operate in, Petrofac has the expertise, capabilities and experience to support them across the entire asset life cycle.

- Design
- Build
- Operate
- Train
- Decommission

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Our performance is driven by our strategic priorities:

Consistent delivery

Maintain strength in our core

Improved returns

SEE OUR STRATEGY | **Page 10**

We believe how we do business is just as important as what we do. Our sustainability strategy sets out our ESG goals, which are aligned to our purpose and business model.

Environmental
Ensuring that Petrofac is able to minimise its own environmental impact, while supporting our clients in achieving their lower carbon ambitions.

Social
Promoting safe local delivery of our projects and services, drawing on ethical supply chains to create in-country value, address local skills gaps, and build a diverse and inclusive workforce.

Governance
Underpinning everything we do with clear, consistent standards of ethical behaviour, bound by rigorous compliance and governance.

SEE OUR ESG REPORT | **Page 32**

Our values govern how we operate and underpin our purpose. They are superseded only by our unyielding commitment to safety and ethical behaviour.

Driven

Agile

Respectful

Open

SEE OUR GOVERNANCE REPORT | **Page 98**

All these elements align to create long-term value for our stakeholders.

- Shareholders and other investors
- Employees
- Clients
- Suppliers
- Communities
- Governments, regulators and industry bodies

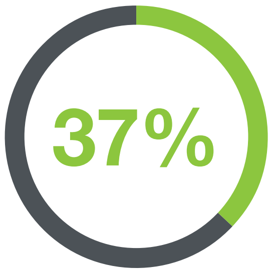
SEE OUR STAKEHOLDER ENGAGEMENT | **Page 26**

Engineering & Construction

The Engineering & Construction (E&C) division delivers onshore and offshore engineering, procurement, construction, installation and commissioning services for both the traditional and renewable energy sectors. Lump-sum turnkey is the predominant commercial model used, but we also offer our clients the flexibility of other models. The division has more than 40 years' track record in designing and building major energy infrastructure projects.

Revenue 2022 (restated)[3] | US$1,287m	**US$936m**
Business performance EBIT[1] 2022 (restated)[3] | US$(323)m	**US$(422)m**
Reported EBIT 2022 (restated)[3] | US$(324)m	**US$(422)m**
Business performance net loss[1,2] 2022 (restated)[3] | US$(289)m	**US$(397)m**
Employees (as at 31 December 2023)	**3,900**

% of revenue



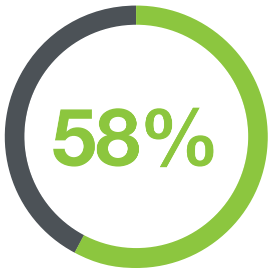
FIND OUT MORE | **Page 80**

Asset Solutions

The Asset Solutions division manages and maintains client operations, both onshore and offshore, delivers small to medium-scale EPC projects and provides concept, feasibility and front-end engineering design (FEED) services. The division is also home to market-leading well engineering, decommissioning and training capabilities. The majority of Asset Solutions services are executed on a reimbursable basis, but we are responsive to clients' preferred commercial models to deliver our expertise.

Revenue 2022 | US$1,158m	**US$1,446m**
Business performance EBIT[1] 2022 | US$60m	**US$2m**
Reported EBIT 2022 | US$57m	**US$(5)m**
Business performance net profit[1,2] 2022 (restated)[3] | US$55m	**US$2m**
Employees (as at 31 December 2023)	**4,100**

% of revenue



FIND OUT MORE | **Page 83**

Integrated Energy Services

Integrated Energy Services (IES) is Petrofac's upstream oil and gas business. Our interest in the Production Sharing Contract (PSC) for Block PM304 Malaysia's offshore Cendor field is the sole asset in the portfolio.

Revenue 2022 | US$137m	**US$121m**
Business performance EBIT[1] 2022 | US$58m	**US$34m**
Reported EBIT 2022 | US$71m	**US$41m**
Business performance net profit[1,2] 2022 | US$53m	**US$23m**
Employees (as at 31 December 2023)	**200**

% of revenue

FIND OUT MORE | **Page 85**

1. Business performance before separately disclosed items. This measures underlying business performance.
2. Attributable to Petrofac Limited shareholders, as reported in the consolidated financial statements.
3. The prior year numbers are restated as detailed in note 2.9 to the consolidated financial statements.

Chair's statement

I would like to thank our stakeholders for their continued patience and ongoing engagement with the business."

RENÉ MÉDORI
Chair

As a result of the Company-specific and industry-wide challenges experienced by the Group in recent years, we are, at the time of writing, at a critical juncture. The Board and Management are focused on delivering a comprehensive refinancing solution, including a capital restructure (the Financial Restructure) to address the Group's financial fragility and secure its operations, as outlined below.

Whilst the Board believes that there is a reasonable prospect the Group will complete the Financial Restructure, a number of events out with the Company's control could impact this work. These risks, and the material uncertainties in the assessment of the Going Concern (see note 2.5 to the consolidated financial statements), the status of which could change rapidly in the coming days and weeks, are outlined transparently in this report.

Of course, this report also details the operational progress the Group has made. New order intake during the year was exceptional, significant progress was made in closing out remaining legacy contracts and work is well underway to strengthen controls and executive oversight. With the right capital structure in place, I believe that the Group can begin its return to consistent, at-scale delivery and sustainable growth.

I want to say how grateful the Board is of the continued efforts of our people, and the support of our stakeholders as we navigate this path.

Addressing our financial position

As the Group transitioned towards delivery of the new portfolio of contracts, the Board's attention was focused on the Group's financial position, including the need to supplement the organic deleveraging plan, strengthen the balance sheet and improve liquidity.

To this end, we initiated the formal review of strategic and financial options and appointed Aidan de Brunner as a Non-executive Director. With significant Board, management, investment and financial advisory experience, he was appointed to lead this review.

We have, at the time of writing, shared with stakeholders our intent to pursue a comprehensive balance sheet restructure. This plan is underpinned by a proposal from a group of existing noteholders, and as detailed on pages 8 and 9, we are in discussion with other lenders to secure the guarantees required under the proposal. As well as new funding and the creation of new facilities for guarantees to support existing contracts and release cash collateral, the conversion of a substantial portion of the Group's debt for equity would drive a material reduction in its debt burden going forward.

The Board and I recognise that this will unfortunately have a dilutive impact for existing shareholders, however we believe that this restructure is critical to ensure that the Group has the capital structure and liquidity required to support the strength of its backlog and future business prospects.

Introducing new leadership

In April 2023, we welcomed Tareq Kawash as our new Group Chief Executive. With a strong track record in both new business and operational delivery, backed by deep client relationships, his impact was immediate. His arrival coincided with a string of new business wins, representing our best order intake for many years. While several of these bids were already in play, the awards were, to me, evidence of the deep trust the industry has in both Tareq and Petrofac.

Tareq's immediate focus was to bring as much of the problematic legacy contracts to a close as possible, unwinding as much working capital as possible, and gearing Petrofac up for sustained and consistent at-scale delivery. To this end, he strengthened the leadership team, bringing in additional commercial and contractual expertise, and recalibrating roles and responsibilities to put more emphasis on assurance and executive oversight.

Notwithstanding the challenges we face and the necessity of the ongoing Financial Restructure, the achievements from 2023 also demonstrate the strength of Petrofac's competitive position. With a healthy bidding environment and a highly selective approach to new business, the Group's operations are well balanced across the world's most robust hydrocarbons markets, the most material energy transition opportunities, and the burgeoning market for mature asset management and decommissioning.

Maintaining a strong, supportive Board

The main priority of the Board during this challenging period was to provide leadership and guidance, and we met on 23 occasions. I would like to thank my fellow Directors for their commitment, for making themselves available, often at short notice, and for their determination to deliver on their fiduciary responsibilities.

Other than Aidan's appointment and Tareq's arrival, there were no other changes to the Directors, ensuring stability in the Board throughout a challenging year. To add to this continuity, my term as Chair, which had originally been due to end back in 2021, was again extended. The question of succession will be revisited following the 2024 Annual General Meeting.

As ever, the Board worked hard to stay in touch with the inner workings of the Group and employee sentiment, as well as those of other stakeholders. Once again, the Petrofac Workforce Forum provided an invaluable opportunity for the Board to converse directly with employees representing different levels, functions and geographies. It's clear we benefit from an engaged team, who are loyal to Petrofac.

Benefiting from a strong ESG positioning

The ability to demonstrate strong environmental, social and governance (ESG) credentials is a key strategic asset in today's world, and the subject was discussed regularly by the Board.

Much of the Group's work is linked, either directly or indirectly, to the energy transition. Alongside a growing portfolio of energy transition contracts (over 40% of the US$8.1 billion backlog) – not least the offshore wind platform Framework Agreement with TenneT – we are helping to reduce the carbon intensity of new and existing oil and gas facilities, get more value from mature assets, and decommission ageing assets. Meanwhile, the Group is on track to meet or exceed commitments in areas such as diversity and emissions reductions, and its local delivery model continues to benefit local communities.

Looking to 2024 and beyond

Given the success in winning new business, the scale and quality of the backlog, the buoyant and differentiated markets in which we operate, and the operational changes made by Tareq and the team, I believe 2023 was a pivotal year for operational progress. Commercially and financially, the year demanded the continued patience of our stakeholders, and more recently, the news that our results would be delayed provided a further source of frustration.

Our priorities for 2024 are therefore clear. We must deliver the Financial Restructure, rebuild the confidence of our stakeholders and return to consistent and predictable operational and commercial delivery.

I would like to thank the entire Petrofac team for their continued commitment to the Group, their level of engagement and their contribution to the many achievements of 2023. I would also like to thank our stakeholders for their continued patience and ongoing engagement with the business.

RENÉ MÉDORI
Chair
31 May 2024

Group Chief Executive's review

One of the things I always admired about Petrofac is its record for project delivery. A clear priority for the entire Executive team is to revitalise that innate capability."

TAREQ KAWASH
Group Chief Executive

As I reflect on my first year as Petrofac's Group Chief Executive, I feel proud of the operational progress our teams have made. We secured high-quality order backlog, made solid progress in closing out legacy contracts, began implementing new controls to bring more consistency to our delivery, and engagement reached a new high across our team.

Of course, we also faced significant challenges, as reflected in the 2023 financial and share price performance. These challenges extended into 2024, and we understand the recent disappointment that we would delay the issue of our full year results.

As René has outlined, delivering our plan to restore Petrofac's balance sheet strength is fundamental to securing the Group's operations and this has the absolute focus of the Board. Further detail on this workstream can be found on the subsequent pages.

Notwithstanding the criticality of this work, rather than repeat the detail here, I would like to take this opportunity to highlight the work the Executive team and I have been undertaking to position the Group following the Financial Restructure, and, as we navigate this period, reiterate the business fundamentals that underpin my belief that, post-restructure, Petrofac is positioned for a return to sustainable, profitable growth.

Rebuilding the order backlog – and preparing to return to selective growth

By any measure, 2023 was an excellent year for new business, during which we demonstrated the strength of our competitive position with a series of quality contract wins.

In total we achieved US$7.1 billion in new order intake and increased the backlog to US$8.1 billion. These wins were well balanced across the Group: in Engineering & Construction (E&C), we returned to the UAE with two new contracts for ADNOC, one of which is a prestigious carbon capture project, and in Algeria, we extended our presence with our first petrochemicals project; for our burgeoning business in energy transition projects, we were awarded the first two HVDC offshore wind platforms under the landmark TenneT Framework Agreement; and in Asset Solutions we achieved good geographic expansion.

With a strong outlook across all our key markets, on completion of the Financial Restructure, our emphasis will continue to be on staying selective in the future opportunities we pursue. The aim is to build on – and build from – our core strengths, with a narrow focus on the type of work we do best, for the clients we know best, in the type of geographies where we can execute best.

Stabilising the operations, and further strengthening control and oversight

One of the things that I always admired about Petrofac is its record for project delivery. A clear priority for the entire Executive team is to revitalise that innate capability. We began this in 2023 – adjusting our operating model, to take account of learnings from the recent delivery challenges by embedding a robust assurance function.

In 2023 several large-scale projects, like Ain Tsila and Duqm, were substantially completed. We expect all but two of the legacy contracts to be completed in 2024. The two contracts that will continue in execution beyond 2024 are the Thai Oil Clean Fuels project and the Orlen Refinery Upgrade project in Lithuania. Nearly 90% of the E&C backlog is now coming from newly awarded contracts. We continued to advance contractual settlements collecting approximately US$180 million, and negotiations are ongoing in relation to the reimbursement of costs on the Thai Oil Clean Fuels contract.

For new projects, the focus has been to start strong and instil a deep-seated control, delivery and safety culture – including a disciplined approach to contractual management, and, at a broader Company-level, assurance and governance oversight. Benefiting from the operating model adjustments made in 2023, we continue with efforts to stringently address controls learnings and ensuring we retain oversight and appropriate operational and financial controls across the Group's operations.

In line with key lessons outlined in the Audit Committee Report, the Board and management are also overseeing a programme to reinforce our key expectations on culture and conduct.

Recognising Petrofac's considerable strengths – and building on them

In terms of business strategy, we made some subtle yet important refinements.

Overall, our aim is to build on Petrofac's core strengths, including a 40-year track record in Middle East and North Africa (MENA), a 10-plus-year pedigree in offshore wind, strong strategic partnerships, and a renowned expertise in late life asset optimisation and decommissioning.

In E&C, we are therefore re-pivoting back to our core MENA markets, where there continues to be high levels of investment, we have a consistent record of success, and our local delivery model is a key competitive advantage.

To address the needs of the energy transition sectors, we have created a distinct delivery unit, with a clear priority being the consistent delivery across TenneT's 2GW offshore wind programme – which represents a multi-billion-dollar, multi-year opportunity, and helps us demonstrate the benefits of an integrated 'design one, build many' solution to other energy transition clients.

In Asset Solutions, we are building on our considerable strengths in operations and maintenance, mature asset management, and decommissioning, and expanding judiciously from the UKCS into other mature basins, which are looking for the type of skills and relationships we bring, and offer the potential for higher margins.

Given the strong market fundamentals and Petrofac's differentiated position, with restored balance sheet strength following the restructure, a focus on selective growth in our core markets, and consistent delivery, I believe we have line of sight to sustainable and profitable medium-term growth.

Celebrating the calibre of the Petrofac team – and safeguarding it

Ultimately, Petrofac is a people business. It is the skills, the ethos and the behaviours of our people that set us apart and, from the outset, I have been impressed by the can-do attitude and client-centric culture.

As we pivoted from the completion of legacy contracts to the delivery of new projects within our portfolio, one of 2023's biggest achievements was to recruit more than 3,000 employees in support of this new work, of which a sizeable proportion were former Petrofac employees.

We also made progress towards achieving our diversity targets. We increased the number of women in senior management to 30.5% and our workforce is comprised of more than 85 nationalities. Bit by bit, our teams are becoming more representative of our local communities. Meanwhile, with our highest ever employee engagement ratings of 88%, it is clear that our people are committed to Petrofac.

Making progress on sustainability – and delivering on the decarbonisation agenda

Our purpose is to help clients meet the world's evolving energy needs, and we aim to play an active role in the global energy transition. As well as helping clients to introduce new cleaner energy assets, decarbonise existing assets, and decommission ageing assets, we are committed to running our own business in a sustainable way.

Proof points from 2023 include a 13% reduction in our Group-wide Scope 1 emissions, including a 15% cut in emissions at our Malaysian operations. We also exceeded our diversity targets, and were awarded the Gold Impact Seal for delivering on our sustainability strategy in the UAE.

With 47% of our project spend going to in-country suppliers, we also have a local delivery model that enriches communities, creating new jobs and supporting local economies.

Looking ahead

As I write these words, the clear priority is to successfully complete the Financial Restructure to materially strengthen the balance sheet, secure project guarantees and improve liquidity, in order to secure the Group's operations and help us deliver on the strength of our backlog. By the time you read them, we may have been in a position to make further announcements on this work.

With the implementation of the Financial Restructure, I believe we are well positioned to build on the operational progress made in 2023 and capitalise on the opportunities before us, returning the Group to a sustainable growth trajectory.

For now, I thank our clients for their trust in Petrofac, and our employees for their continued support and dedication.

TAREQ KAWASH
Group Chief Executive
31 May 2024

Strategic framework

As a result of the Company-specific and industry-wide challenges experienced by the Group in recent years, we are, at the time of writing, at a critical juncture."

RENÉ MÉDORI
Chair

Critical financial restructure

In December 2023, the Petrofac Board announced it was reviewing a range of strategic and financial options to materially strengthen the Group's balance sheet and improve liquidity. This work is critical to ensure we can secure the performance guarantees required to undertake current and future Engineering, Procurement and Construction (EPC) contracts in our portfolio, and therefore to securing for the Group's ability to continue in its operations.

At the time of writing, whilst discussions continue in support of a comprehensive solution, including a capital restructure (the Financial Restructure), there remain a number of steps that must be achieved which are outside of the Company's control and which are dependent on securing key stakeholder agreement.

Based on the status of discussions with stakeholders, and taking into account the advice from the Company's external financial, legal and liquidity advisors, the Directors have concluded that there is, at the time of writing, a reasonable prospect of the Group implementing the Financial Restructure which provides a realistic alternative to liquidation or cessation of operations. However, if negotiations with counterparties were to be unsuccessful in the short-term, the Directors may change their view. This is covered in more detail in the going concern disclosure in note 2.5 to the consolidated financial statements on page 152.

Background

Despite the challenges highlighted by our financial results, 2023 was an excellent work winning year for Petrofac, securing a number of high-quality contracts to build its backlog beyond US$8 billion, and providing visibility for the future prospects of the business.

For EPC contracts, it is a standard contractual requirement to provide clients with performance guarantees. During 2023, we experienced significant challenges in securing these guarantees due to both market-wide and Company-specific reductions in issuer appetite.

Securing guarantees on normal commercial terms and the successful implementation of the Financial Restructure is of critical importance.

Challenges in securing guarantees presents two main issues:

- Further delays in obtaining performance guarantees could lead to the termination of existing contracts and affect our ability to secure and deliver new contracts and/or impact the timing of the receipt of contract cash flows
- Advance payment guarantees are typically sought by the business to help support the traditional cash-positive, negative working capital, operating model

In 2023, we secured performance guarantees for both the ADNOC Habshan contract and the first contract awarded under the Framework Agreement with TenneT. However, as a result of reduced issuer appetite, in order to secure these guarantees, we were required to provide significant cash collateral.

With current levels of liquidity, the continued provision of such cash collateral to secure guarantees is not sustainable and this led to the Board initiating a review of strategic and financial options and the creation of the Special Committee (page 110), chaired by a newly appointed Independent Non-executive Director, Aidan de Brunner (page 111).

Current status

As at 31 May, we are in active discussions with creditors and prospective credit providers in relation to the Financial Restructure, and the current proposal being discussed is designed to deliver:

- A strengthened balance sheet, through the conversion of a substantial portion of existing debt into equity
- An improvement in liquidity, through the provision of US$200 million of new debt and more than US$200 million through the return of cash collateral and retentions
- Access to guarantees on normal commercial terms, as a result of the strengthened balance sheet and improved liquidity

These discussions are underway, and, at the time of issuing this report, the Company has received a proposal from an ad hoc group of senior secured noteholders, representing approximately 41% of the outstanding notes, for the provision of new credit of US$200 million to the business, as well as a further US$100 million of 'first loss' underwriting support to facilitate the provision of guarantees on existing contracts. This non-binding proposal is dependent upon, amongst other things, agreement with credit providers to provide guarantees of approximately US$400 million and would require the conversion of a significant portion of the Group's debt to equity.

We are also in discussions with other key stakeholders who are required to consent to the Financial Restructure, including other creditors, prospective credit providers and shareholder and prospective shareholders.

The success of this process is subject to reaching an inter-conditional agreement with these stakeholders as to the (as yet undefined) terms of the Financial Restructure, as well as securing the necessary approvals from our shareholders and completing the judicial process required to complete its implementation. Clearly, the timing and outcome of these discussions are not wholly within the control of the Petrofac Board and management team.

The Board carefully considered the status of discussions and has assessed that there is a reasonable prospect that the Financial Restructure will be successfully implemented and therefore has concluded that it is appropriate to adopt the going concern basis for the preparation of the financial statements. However, with the outcome of discussions with key stakeholders currently pending, there are a number of material uncertainties which form part of the Directors' assessment, the status of which could change rapidly in the coming days and weeks.

Maintaining liquidity

We have been managing payment obligations and liquidity carefully, and in line with the minimum liquidity covenant set out under our current Revolving Credit Facility and Term Loans (bank facilities), assisted by rolling weekly deferrals from lenders in respect of amortisation payments.

We have a number of payment obligations falling due in the coming weeks, including the continuing obligation to pay the US$29 million interest coupon under the terms of the senior secured notes which was due on 15 May 2023 (for which there is a 30-day grace period and the ad hoc group of noteholders have provided their forbearance until 30 June 2023) and US$84 million of amortisation payments in respect of the bank facilities which are currently due and deferrals for which have, to date, only been granted on a weekly basis.

Even without making payments to its noteholders and lenders, to maintain liquidity at or above the US$75 million covenant level, the Group is having to manage its payment obligations carefully, including by seeking to delay all but critical payments to creditors and by not funding obligations under operational joint venture arrangements. This is of critical importance to our ability to maintain sufficient liquidity in the period before which the Financial Restructure can be completed, which is not expected to be before September 2024 at the earliest, albeit with the necessary inter-conditional agreements being reached approximately one to two months prior to final implementation. Failure to do so could put the Financial Restructure at risk, and, in all likelihood, cause the Group to enter into insolvency proceedings. While the Board is absolutely focused on managing these risks and executing the restructure as quickly as possible, it is important that we highlight these risks openly and transparently.

Impact on the annual report and accounts

Throughout the 2023 annual report and accounts, we have reflected the fragility of the Group's financial position, the uncertainty and challenges faced, and the steps remaining to complete the Financial Restructure. However, the report also highlights the actions we have taken to mitigate these challenges and set the Group on a path for growth, realise the potential of our new backlog and the prospects in our future pipeline of opportunities. The report demonstrates the resilience and adaptability of our business model, our strong client relationships and, importantly, our people. The report demonstrates our commitment to innovation, quality and client satisfaction, as well as our social and environmental responsibility.

Key areas of the report in which additional activities and information relating to the Financial Restructure have been discussed in further detail include:

- Risk management: pages 70 to 77
- Financial review: pages 86 to 93
- Viability: pages 94 to 96
- Corporate governance and Special Committee reports: pages 98 to 110
- Audit Committee report: pages 115 to 124
- Going concern disclosure: note 2.5 of the financial statements on pages 152 to 156

We recognise that the challenges faced in recent times have a wider impact on our stakeholders, demanding their continued patience and cooperation during a time of uncertainty.

By recognising what matters to our shareholders, investors, customers, suppliers and employees, we have proactively and as openly and transparently as possible, shared relevant information in order to protect and maintain relationships.

Strategic framework continued

To secure our medium-term growth ambitions, we are pursuing three strategic priorities which will position the Group for long-term success.

We are enabling our clients to meet the world's evolving energy needs. Wherever our clients are on their energy journey, and whatever market they operate in, Petrofac has the expertise, capabilities and experience to support them across the entire asset life cycle.

Consistent delivery

- **Consistent and predictable execution, effective project governance**
- **Global capability, local execution**
- **Strategic partnerships/technology neutral**
- **Digitally enabled innovation**

Overview

An overriding strategic priority is to deliver our projects consistently, by working predictably, mitigating risks and avoiding any surprises. To achieve this, we continue to build on our traditional strengths, focusing on our core markets, introducing new efficiencies and bringing greater consistency to the way we operate the business.

During the year, we adjusted our operating model to drive the right leadership focus, project governance and geographical oversight across our growing portfolio, with the aim of increasing efficiency and effectiveness in how we execute work.

A Petrofac differentiator is our local delivery model, helping us bid appropriately and build strong, long-term relationships with local stakeholders. To supplement this, we build local teams which reflect the clients they serve whilst also delivering high levels of in-country value (ICV) in our industry. These teams are supported by experienced technical capability from our specialist hubs around the world.

We invest in innovation, through digitalisation and our technical expertise, to maximise productivity and provide optimal solutions to our clients. Being technology neutral means we can use our extensive experience to specify the best solution for each client and project from a wide range of technology suppliers, developing strategic partnerships to help us achieve the best outcome for our clients.

Maintain strength in our core

- **Continue to build on our quality backlog**
- **Selective focus on core strengths, clients and markets**
- **Expand our capabilities in energy transition**
- **Customer-centric and flexible contracting approach**

Overview

2023 was Petrofac's strongest period for awards in many years. Our underlying business is robust, with a high-quality US$8.1 billion backlog, generated from US$7.1 billion in new awards in both new and traditional energy during the year.

We repivoted back to our core markets which remain attractive with a significant addressable market for Petrofac of US$60 billion expected in the next 18-months. These opportunities are within our core areas of strength and with long-term clients. With regards to the energy transition, the priority is to continue delivering on the TenneT multi-year Framework Agreement, while also building the proposition and positioning us well for other future EPC projects in the energy transition markets, when they come for tender.

The adjustments we made to our operating model in 2023 will allow us to be selective in our bidding process to ensure that the backlog consists of quality projects which will lead us towards our medium-term profitability ambitions.

As our clients and prospective clients work through energy security, affordability and sustainability challenges, Petrofac is working with them to develop ways in which to; access additional energy sources, secure lower costs of production, extend the life of their assets, decommission mature assets and decarbonise their operations.

Improved returns

- **Deliver a comprehensive refinancing**
- **A highly selective approach to bidding**
- **Deliver sector-leading margins consistently**
- **Capital light business model**
- **Establish and maintain a strong balance sheet**

Overview

The immediate priority of the Company is to execute and implement the Financial Restructure in order that the business can continue to execute its medium-term strategy. Our ability to focus on consistent delivery, maintain strength in our core markets and improve returns is predicated on remaining a going concern up to, including and beyond a successful execution of the Financial Restructure (see page 8 for more details).

During 2023, we rebuilt the backlog and made progress towards unwinding historic working capital. We are completing contracts in the legacy portfolio, and we continue to deliver well in the initial phases of the contracts awarded in 2023. With a large, high-quality order backlog and a busy bidding environment, we now have a clear pathway back to sustainable growth and the delivery of superior returns.

Our local market model enables us to keep costs down, and the changes made to our operating model provide strong risk management and assurance. Our ESG commitment unlocks new growth opportunities, and helps us meet client expectations – with strong decarbonisation solutions across the Group.

Our medium-term ambition is to deliver US$4 billion to US$5 billion in revenue (more than 20% of which from energy transition projects), EBIT margins of 6% to 8% and a strong balance sheet with net cash.

Consistent delivery

2023 Performance

- Further progressed the completion of the remaining E&C legacy portfolio projects
- Adjusted our operating model and made key strategic hires to ensure appropriate leadership support and project governance
- Created a dedicated energy transition delivery unit within the E&C business unit
- Recruited and onboarded over 3,000 new employees despite a tight employment market. Attrition levels fell from 14.3% in 2022 to 11.5% in 2023. Overall employment levels increased by 677 to reach 8,600, representing an 8.5% increase from 2022

2024 Priorities

- Extend and embed Group assurance procedures to ensure consistent and predictable EPC delivery
- Strong execution on energy transition projects underpinned by the TenneT multi-year Framework Agreement contracts
- Strengthen the integration of services within Asset Solutions to secure more long-term frameworks

Link to KPIs

Employee numbers

8,600

In-Country Value (ICV) spend

47%

CDP rating

B

SEE OUR CASE STUDIES |
Pages 12–15

Maintain strength in our core

2023 Performance

- Rebuilt a large, high-quality order backlog including:
  - A return to the UAE
  - A multi-project offshore wind Framework Agreement
  - Geographical expansion in Asset Solutions
  - A greater than 80% renewal rate in Asset Solutions
  - Further development of the one-stop-shop for integrated decommissioning services
- Maintained a pipeline of future opportunities, providing visibility to sustained growth

2024 Priorities

- Maintain strength in our core MENA markets for E&C, where we have access to an 18-month US$60 billion Group pipeline, strong ICV and a proven ability to deliver consistently and profitably
- Further geographical expansion in Asset Solutions' markets, and enhance differentiation in mature markets
- Continue to engage in pre-FEED and FEED studies for energy transition projects, maintaining market access, enhancing knowledge and retaining optionality

Link to KPIs

18-month Group pipeline

US$60bn

Backlog

US$8.1bn

SEE OUR CASE STUDIES |
Pages 14–17

Improved returns

2023 Performance

- A challenging year for financial performance with:
  - Increased losses on the Thai Oil Clean Fuels project
  - Write-downs of receivables to protect cash flows in E&C
  - Low activity levels with adverse operating leverage in E&C
  - A bad debt provision for a client entering insolvency in Asset Solutions
  - Delays to securing guarantees contractually required to deliver contracts awarded in the year
- Progress in completing legacy contracts and resolving open contractual discussions
- Pivoted to more selective bidding, resulting in a high-quality backlog and bids submitted in line with our medium-term ambitions

2024 Priorities

- Strengthen the Group's balance sheet, and secure the Financial Restructure, a comprehensive solution which will underpin the delivery of our strategic framework
- Securing performance guarantees for existing and future contracts
- Maintain bidding, cost and cash flow discipline
- Implement operating model changes to ensure consistent delivery with differentiated margins
- Concluding commercial settlements and negotiations on the reimbursement of additional costs, including on the Thai Oil Clean Fuels Project

Link to KPIs

Revenue

US$2.5bn

Business performance EBIT

US$(393)m

New awards

US$7.1bn

SEE OUR CASE STUDIES |
Pages 14–15

Case study

One of the largest refineries in the Middle East

Completed in 2023, the Duqm Refinery project in Oman, delivered as a 50/50 joint venture with Samsung Engineering, is vast in every respect.

Duqm, Oman

*

US$2.0bn
project

2,000-acre
footprint

230,000
barrels a day capacity – nearly a quarter of Oman's output

9,000
onsite personnel at peak

A broad scope of work

The 47-month project covered engineering, procurement, construction, commissioning, training and start-up operations for all the utilities and offsites at the refinery.

Extending our downstream credentials

With global refining and petrochemicals capacity set to expand, we have built deep downstream credentials, with prestigious projects in the Middle East, North Africa, Southeast Asia, and Central Europe.

We have a strong track record in designing, building, and commissioning large, complex refineries. We also have significant experience in supporting clean fuels refining projects as clients transform existing facilities to produce higher quality and more environmentally friendly fuels. In 2023 we also started work on our first major petrochemicals project.

refinery

Delivering value for Oman

The Duqm Refinery project is a good illustration of our local delivery model.

Active in Oman for more than 34 years, we have more than 200 in-country employees, and work hard to support the local supply chain. Among the components produced locally for Duqm were nine huge LPG storage vessels, some of the largest ever manufactured in the Sultanate.

Overall, the client set a target of 10% local employment – which we exceeded three times over.

The heart of the refinery

Like any downstream project, steel tanks have a central role, and a vast tank farm was built as part of the project:

- We constructed more than 70 steel tanks on site for storage of water, hydrocarbon, benzene and finally the crude oil processed in the refinery – 50 of which are now located in the central tank farm
- The largest tanks have a diameter of 60m and a height of 30m
- We used 33,000 tonnes of steel for the tanks alone

*

70
steel tanks

60m
diameter of largest tank

33,000 tonnes
steel used in construction

Case study

A landmark offshore wind Framework Agreement

In early 2023, together with Hitachi Energy, we were awarded a multi-year Framework Agreement by TenneT to help expand offshore wind capacity in the Dutch-German North Sea.

TenneT 2GW

The Framework, representing the largest in our history, covers six projects – each one comprising engineering, procurement, construction and installation (EPCI) of an offshore HVDC transmission station, elements of the onshore converter station, and associated infrastructure, while Hitachi Energy will supply its HVDC converter stations, which convert AC to DC power offshore and DC to AC onshore. The first of these was awarded alongside the Framework Agreement in March 2023.

In December 2023, the second project was awarded, and additional projects within the Framework are expected to be awarded at approximately six-month intervals.

Supporting the world's most ambitious offshore wind initiative

TenneT's 2GW Programme is a crucial step in Europe's transition to a lower-carbon future.

Between them, Germany, the Netherlands, Denmark, and Belgium have agreed to install at least 65 gigawatts (GW) of offshore wind energy by 2030. Two-thirds of this capacity is being installed by our client TenneT, the Dutch-German Transmission System Operator.

The combination of Petrofac's industry-leading EPCI expertise and Hitachi Energy's proven technology will support TenneT in connecting more effective wind farms, more quickly to provide affordable clean energy to millions of European homes.

Design one, build many

The adoption of a 'design one, build many' concept for the HVDC platform model improves efficiency and cost-effectiveness, enables scalability, encourages knowledge sharing, and enhances overall success.

This standardised approach enables a reliable, flexible, and economically viable solution for achieving transmission capacity of 2GW per platform.

Powering a sustainable future

An important facet of the 2GW consortium is a sustainability programme which aims to:

- Contribute to society – creating maximum impact for people who work for us and live in the communities impacted
- Commit to the environment – avoiding, minimising and compensating for our impact on the planet

Committing to ethical supply chains

We have signed up to the TenneT Supplier Code of Conduct, which in line with our own values, advocates diversity, equal opportunities, dignity, and respect for fundamental rights – conforming with the UN Global Compact.

As part of the programme, we carry out ongoing human rights due diligence to understand any human rights risks, and identify, prevent, mitigate, and account for adverse human rights impacts.

offshore wind

*

6
platforms

12 GW
of clean power

12 million
homes powered with clean energy

Working towards carbon neutral platforms

We are working hard with supply chain partners to source low-carbon and recycled materials, use renewable energy, and optimise fabrication processes. The environmental performance of every aspect of the life cycle is assessed. While we face obvious constraints due to the pace of decarbonisation across the sector, we expect to benefit from progressively lower emissions – and ultimately carbon neutrality.

Promoting a circular economy

Along with our 2GW consortium partners we're committed to circular economy principles, including:

- Designing for disassembly and recycling
- Creating raw material passports
- Thinking ahead to reverse logistics

Case study

Delivering an integrated decommissioning solution

The decommissioning and repurposing of existing oil and gas assets are key enablers of the global energy transition.

decommissioning

Petrofac has emerged as a leading player in a large and rapidly growing market – in fact, we are the only tier-one global contractor with the in-house capability to manage all well engineering, mature, and asset decommissioning phases.

We are also heavily active in the North Sea, which is one of the world's most mature basins, one of the most innovative, and the place where many new approaches to decommissioning have been developed and proven.

A series of significant award wins

In 2023, we were awarded a string of mature asset management and decommissioning awards, including:

- Offshore Ivory Coast, we secured an integrated services award for the Espoir Ivoirien FPSO vessel
- In the UK North Sea, we will be working alongside Saipem on a major new decommissioning programme involving the removal of a 20,000-tonne topside
- In the Gulf of Mexico, we added a third field and extended the scope of an existing contract to decommission two fields

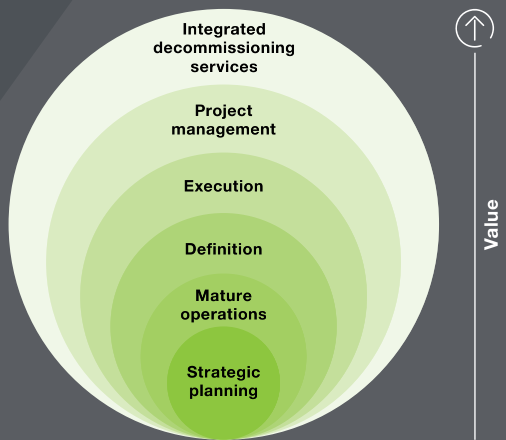
The benefits of an integrated approach

As an operator, we bring an operator's mindset to the task, and we aim to drive more integration between mature asset management and decommissioning – so the former becomes more productive, the latter becomes more predictable, and everything becomes more carbon efficient.

integrated

solutions

Discrete to integrated solutions



An example of global best practice

Since mid-2022, we have been working on a major decommissioning project in the Gulf of Mexico. In 2023, the scope was significantly increased to involve the safe, efficient, and assured decommissioning of:

3
offshore fields

200+
wells

12
offshore platforms

40
pipelines

During the year, our work there was highlighted by the North Sea Transition Authority (NSTA) as an example of global best practice.

Case study

Helping clients transition to a lower-carbon future

Petrofac's business is intrinsically linked to the global energy transition.

Low-carbon solutions

Our purpose is to help clients meet the world's evolving energy requirements. As well as introducing clean energy assets, we work with clients to reduce the intensity of new and existing hydrocarbon assets.

In meeting their decarbonisation ambitions, there is huge scope for asset owners and operators to reduce carbon intensity – because oil and gas production, transport and processing currently account for 15% of the world's total energy-related emissions and, for some facilities, the operational emissions can reach 40% of the full life cycle emissions[1].

1. International Energy Agency, Emissions from Oil and Gas Operations in Net Zero Transitions, 2023: https://www.iea.org/reports/emissions-from-oil-and-gas-operations-in-net-zero-transitions.

How Petrofac can help

four examples of low-carbon solutions:

Capturing natural gas
Natural gas, which would otherwise have gone to waste, can be captured from across some hydrocarbon facilities – we can engineer skid-mounted, prefabricated facilities, comprising vapour recovery units, electrical heaters and gas pipes, which are operated from a central control room.

Monetising flaring
Emission sources can be evaluated and multiple flare reduction strategies explored – such as packaged flare monetisation solutions enabled by modular cylinder-filling systems.

Retrofitting brownfield assets
Having analysed emissions performance from across an existing facility, a prioritised and costed range of options can be developed – such as re-routing vented and flared gas emissions to the facility's incinerator or generator.

Decarbonising the supply chain
We engage and collaborate with key suppliers to understand and encourage their respective carbon assessment and reduction programmes – putting an emphasis on the most carbon intensive goods and services, like steel, cement, aluminium, and copper.

Solutions in action

Solar power at Duqm

We delivered the EPCm of a PV solar plant at the Duqm Refinery, as part of the broader refinery upgrade project. More than 47,000m2 of solar panelling was installed, expected to produce nearly 8 million kWh of electricity a year. Also, grid-independent solar-powered street lighting was installed – generating an additional 194 MWh of electricity a year.

*

3.7 MWp
MWp capacity

~7.9
GWh per year generated

+13,000
Solar PV modules

+47,000
m² area covered

Engineering for a flare capture facility in the GCC

We developed the engineering for a flare capture facility in the Gulf Cooperation Council (GCC). Gas is captured at three onsite locations using prefabricated facilities, which are monitored remotely, so minimum staffing is required. We are delivering the EPC and ongoing operations and maintenance. The project is cost neutral to the client.

*

5 million
Mscfpd of gas saved

US$8m
Annual saving in carbon costs

100,000
Annual saving in tCO_2 emissions

22,000
Annual reduction in CO_2e methane

Greening our own offices

To help us meet our Net Zero commitments, we conducted an energy efficiency and emissions review across the Petrofac office estate and delivered a programme of initiatives. This included the replacement of the air conditioning systems at our Sharjah office, switching to 100% green energy in our Mumbai office, installing LED lighting and motion sensors in our Muscat office, and achieving LEED Green Building certification for our Chennai office.

*

+250 tonnes
CO_2eq saved in Sharjah

22%
Savings in electricity usage in Sharjah

LEED Green Building
Certification in Chennai

96,000kWh
Saved by switching to LEDs in Mumbai

Our business model

Our resources

The right people and culture
As a service business, it is our people, their capabilities and skills that set us apart from our competitors. Our values and behaviours underpin our ways of working. We are committed to developing our people, identifying and nurturing future leaders, and enabling everyone within the business to perform to their true potential and make a real difference.

Our knowledge and skills
Our deep understanding of our sector allows us to develop and deliver solutions that solve our clients' challenges.

Strong and trusted relationships
We develop deep knowledge of the many businesses in our supply chain; we know when and how to call on their respective strengths to deliver for our clients.

Making a positive contribution
We aim to make a positive contribution to the societies in which we operate. We are committed to ethical conduct, put an emphasis on safety, care deeply about creating in-country value, and to minimise our environmental impact. We are working towards a Net Zero target for carbon emissions.

What we do...

Design
Engineering expertise is at the heart of everything we do. We provide a full suite of engineering services from conceptual and feasibility studies and Front-End Engineering and Design (FEED) to detailed design.

Build
We build some of the world's largest energy facilities, leveraging our differentiated engineering, procurement, construction and commissioning skills to safely deliver projects on time and on budget. We offer clients a range of flexible commercial delivery models, from lump-sum turnkey to fully reimbursable.

Operate
We safely operate and maintain energy facilities on behalf of our clients through a variety of services, from the provision of labour to fully managed solutions. The deployment of digital technologies is at the heart of our offering as we focus on maximising productivity, efficiency and extending field life.

Train
We develop local workforces through a range of services, from assessing capability needs and creating tailored training courses to designing, building and managing state-of-the-art training facilities. Our unique offering is supported by industry-leading software solutions.

Decommission
We decommission energy assets. As infrastructure nears end of life, we integrate our services to extend production, and to minimise operating and abandonment expenditure, ahead of safely decommissioning it.

...across a broad range of energy facilities

Oil and gas processing facilities | **Storage and pipelines** | **Refining and petrochemicals** | **Offshore wind** | **Offshore production**

Value created in 2023

Client value
Benefiting from certainty of quality and delivery, utilising commercial models that meet their needs.

In-country value
Developing local skills and capabilities, benefiting local development and stimulating productivity in local economies.

Social performance
47%
spent on local goods and services

Tax spend
US$149m

Employee value
88%
Employee engagement score

8,600
employees (8.5% increase)

Emissions reduction
Reduced our absolute emissions by 12% in 2023

Why invest in Petrofac?

Consistent delivery

Exceptional track record of safe, reliable, and innovative execution built over several decades – enhanced by adjusting our operating model to drive the right leadership focus, and embedding robust assurance procedures to ensure consistent and predictable delivery.

200+

More than 200 major projects executed across the world

SEE OUR BUSINESS MODEL | **PAGE 20**

Well-positioned in resilient markets with attractive growth opportunities

As demonstrated by the size of our addressable market, our core markets are returning to growth and actively investing in their energy assets – while our decarbonisation and energy transition offerings continue to build momentum.

$60bn

18-month Group pipeline

SEE OUR MARKET OUTLOOK | **PAGE 22**

A local delivery model that creates value for all stakeholders

We employ local people, nurture local supply chains, and develop local talent and capabilities – helping us to build client relationships, reduce costs, protect margins, and de-risk delivery.

47%

In-country value spend

SEE OUR ESG REPORT | **PAGE 63**

Engineering expertise, expertly delivered across the life cycle of energy assets

Providing integrated services that span the entire asset life cycle – enabling us to embed and extend client relationships, deliver additional value to all our projects, and better withstand the cycles of the energy sector.

43 yrs

Our engineering and construction experts have been turning complex concepts into reality

SEE OUR SEGMENTAL OVERVIEW | **PAGE 78**

A trusted partner with long-standing client, supplier and partner relationships

A diverse portfolio of long-established clients, including IOCs, Independents, and NOCs in the MENA region – which enjoy some of the lowest marginal costs of production in the world and resilient spending on energy infrastructure through the cycle.

Top 2

EPC contractor in the Middle East

SEE OUR STAKEHOLDER ENGAGEMENT | **PAGE 26**

A problem-solving culture that harnesses innovation and technology to find new ways to add value

With a client-focused mindset, we always look for new ways to meet clients' needs – including applying the right technologies, working with a range of vendors, and tailored financial models.

Partnership

Delivering a landmark offshore wind framework in partnership with Hitachi Energy

SEE OUR CASE STUDY | **PAGE 14**

Positioning for a return to growth

We are focused on strengthening the Company's balance sheet to deliver our medium-term ambition, having made good progress in completing legacy contracts, and rebuilding a large high-quality backlog.

MORE ON OUR FINANCIAL RESTRUCTURE | **Pages 8–9**

Sector-leading margins

Achievable in the medium term

SEE OUR FINANCIAL REVIEW | **PAGE 86**

Market outlook

Striking the right balance between energy security, affordability and sustainability continues to be a key priority for countries across the world.

Strategic

selective

bidding to capitalise on growth markets

Petrofac has an extensive track record in helping clients to access additional energy sources, achieve lower costs, and decarbonise their operations.

Chart 1. **Total primary energy supply % by fuel and scenario 2050**

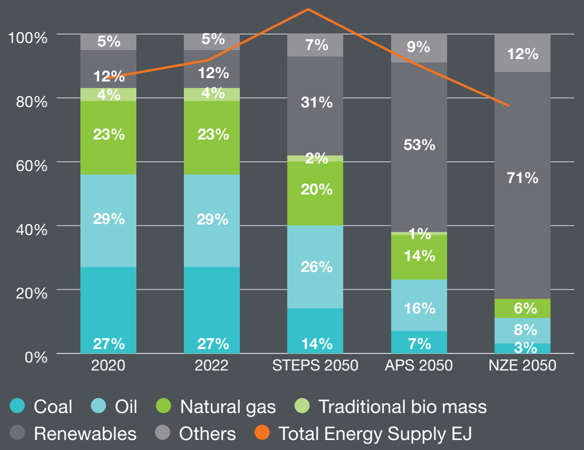


Chart 2. **Total primary energy supply % by fuel and scenario 2030**

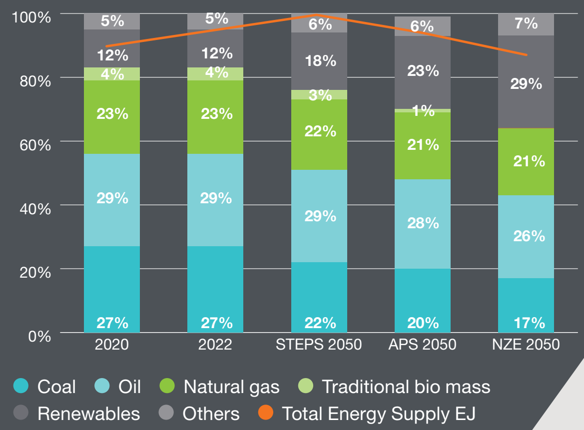
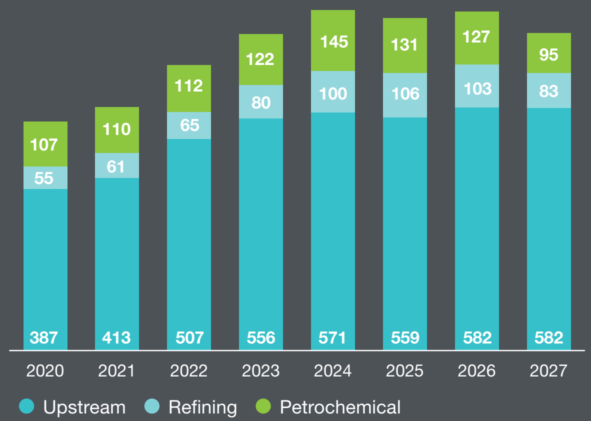


Chart 3. **Oil and gas spend/capex US$bn**



In the medium to long term

The long-term fundamentals for Petrofac remain strong, with all plausible scenarios indicating that absolute energy demand is expected to remain robust. Oil and gas will continue to be a significant proportion of the global energy mix, even as far as 2050, albeit with lower levels of carbon intensity. At the same time, there will be an acceleration of investment in new energies, including strong growth in offshore wind, carbon capture usage and storage (CCUS), hydrogen, and waste-to-value projects. (See chart 1.)

However, in the medium term, fossil fuels are expected to reach a peak during this decade (IEA, World Energy Outlook). (See chart 2.)

These conditions play well to Petrofac's strengths:

- **Our Engineering & Construction business** is well positioned in the robust hydrocarbon markets of the MENA region, spans the upstream, refinery and petrochemicals sectors, and helps clients to minimise the lifecycle emissions of their assets and infrastructure (See chart 3.)
- **Our Asset Solutions business** has long been focused on helping clients to find new operating efficiencies and extend the life of their assets. We have also developed a leading position in mature asset management and decommissioning
- **Our energy transition projects** capabilities and track record positions us well in the rapidly growing offshore wind market underpinned by the TenneT multi-year Framework Agreement, and when larger hydrogen, CCUS and waste-to-value opportunities materialise, our increasing credentials and experience make us a natural delivery partner for many clients (See chart 4.)

Market outlook continued

In the short to medium term

We enter 2024 with a large, high-quality order backlog and a healthy 18-month Group pipeline of US$60 billion. This means we can focus our business development on the type of projects that have the best strategic fit for Petrofac, and we foresee strong growth opportunities across the Group.

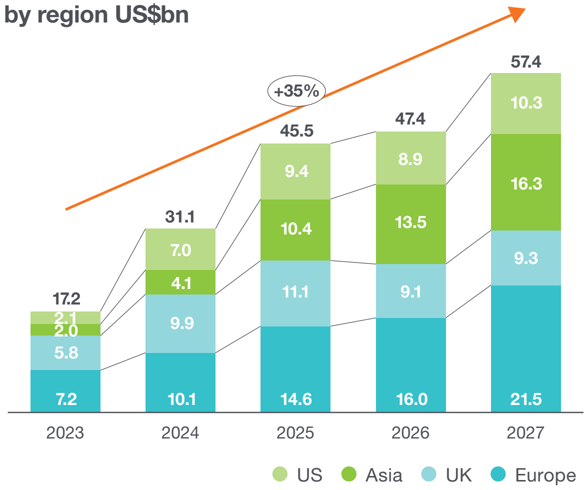
- **Engineering & Construction**
  To satisfy immediate demand, compensate for more than a decade of underinvestment, and adjust to the changing geopolitical climate, considerable capital investment is required and expected in the hydrocarbon production infrastructure, with high levels of activity ongoing and forecast. Much of the supply gap is expected to be met by the National Oil Companies (NOCs), especially in the MENA region. At the same time, with core MENA countries seeking to diversify their economies, their investments in refining and petrochemicals are set to continue. (See charts 5 and 6.)

  Petrofac has an extensive track record and a leading position in MENA. In 2023, following a series of large contract awards, we were once again named as one of the region's top three EPC contractors by Oil & Gas Middle East magazine – a position that is bolstered by our local delivery model, which enhances our understanding of local markets, de-risks delivery, and generates sector-leading margins, as well as supporting the economies in the jurisdictions in which we operate.

- **Energy transition**
  The International Energy Agency and International Renewable Energy Agency forecast that to limit warming to 1.5°C, the world requires three times more renewable energy capacity by 2030. The Global Renewables and Energy Efficiency Pledge agreed to triple worldwide installed renewable capacity to at least 11,000 GW, and to double the average annual rate of efficiency improvements from around 2% to 4% every year until 2040. This means that to deliver the energy transition, governments and private enterprise will need to spend heavily to build new renewable energy infrastructure.

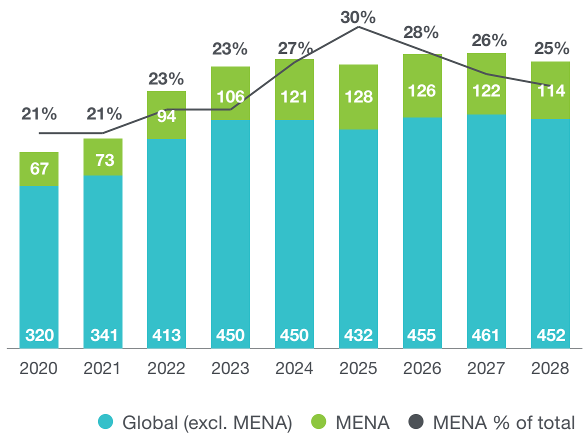
  Against this backdrop, Petrofac has continued to build on our credentials in these markets. We have an already strong position in offshore wind, which was reinforced in 2023 with the landmark multi-year Framework Agreement by TenneT, being delivered in partnership with Hitachi Energy with a value of US$14 billion. Two out of six projects in this framework have already been awarded during 2023.

Chart 4. **Forecast offshore wind total capex by region US$bn**



Source: Rystad

Chart 5. **Global upstream capex forecasts US$bn MENA region to grow at 10% CAGR 2021–2025**



Source: Rystad Energy, October 2023

In carbon capture and storage (CCUS), Petrofac was awarded a major Engineering Procurement and Construction (EPC) contract by ADNOC Gas, one of the largest carbon capture projects in the MENA region. We also progressed with a series of contracts across hydrogen and waste-to-value, and our integrated plan-design-and-build approach puts us in a strong position when associated EPC projects start to be awarded.

- **Asset Solutions**
  Petrofac is well-positioned to benefit from several trends in the operations, maintenance, and decommissioning market: with supply gaps to fill, there's an appetite for smaller brownfield and modular projects; with IOCs divesting carbon-intensive and non-core assets, primarily to independent and private equity-backed owners, there is a burgeoning demand for outsourced operating models; and with the decommissioning market is beginning to mature and grow, and more clearly defined policy regimes in several geographies, there is strong demand for the type of integrated model provided by Petrofac.

A significant addressable market and a busy bidding environment

In the medium term, the addressable market for Petrofac is expected to exceed US$137 billion, comprising US$78 billion in upstream oil and gas, refining and petrochemicals, US$24 billion in operating expenditure and decommissioning, and the addressable market for Petrofac in energy transition is expected to exceed US$35 billion.

Embedding selective bidding to capitalise on growth markets and differentiated opportunities is a key component to our strategy. This enables the Group to optimise the allocation of resources and leverage our distinctive competitive advantages, with every opportunity assessed on the strategic fit within the business plan.

Of course, uncertainty remains regarding the geopolitical climate, the economic environment, inflationary pressures, and supply chain constraints. However, with healthy bidding volumes, and an addressable 18-month Group pipeline of US$60 billion, we expect to add further to the quality of our order backlog and deliver sustained growth over the medium term.

Against this background, our ambition is to secure Group revenue of US$4 billion to US$5 billion, including around US$1 billion from energy transition projects.

The immediate priority of the Company is to execute the Financial Restructure as set out on pages 8 and 9.

2030 Energy transition estimated capex

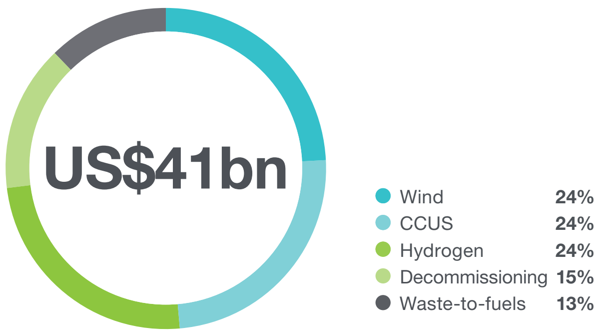
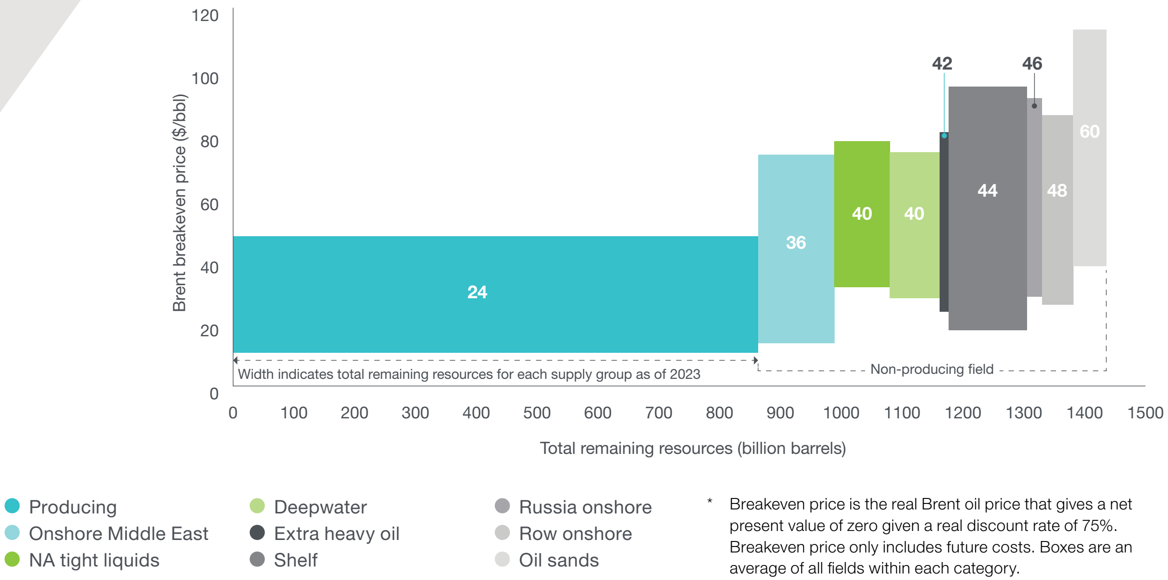


Chart 6. **Cost of supply curve for remaining global resources Brent breakeven price, USD per barrel**



* Breakeven price is the real Brent oil price that gives a net present value of zero given a real discount rate of 75%. Breakeven price only includes future costs. Boxes are an average of all fields within each category.

Source: Rystad Energy, October 2023

Stakeholder engagement

Petrofac is focused on driving long-term sustainable performance for the benefit of all our stakeholders.

We believe that, by understanding what matters to our stakeholders, we are better able to secure long-term success for the business. We have a clear ambition to achieve proactive, transparent, and open engagement with all key stakeholder groups, with an aim of promoting mutually beneficial relationships and value.

Given the challenges of recent years, including the Covid-19 pandemic, delays to client capital expenditure and operational performance, stakeholder engagement has been key to navigating a volatile business environment and pursuing our strategic goals. As we help our clients meet the world's evolving energy needs, we aim to retain the support and confidence of all stakeholder groups.

In this section of the report, we identify these groups and their key interests, outline why they are so important, and detail how we engage with them, and factor their interests and concerns into our decision making. Further details on Board stakeholder engagement can be found in our Governance report on page 107.

Case Study
Financial Restructure

In its review of strategic and financial options, the Company has kept its stakeholders informed of developments throughout the period since it was first announced. This has included market communications and subsequent conversations with shareholders and other investors, clients, our supply chain and employees.

The Company recognises that the challenges it has faced in recent times have a wider impact on its stakeholders, including the need for the continued patience and cooperation of our shareholders, investors, supply chain, and an element of uncertainty for employees. By recognising what matters to our stakeholders, we have proactively engaged with them throughout, being as open and transparent as appropriate, to share relevant information and maintain relationships.

MORE DETAILS ON THE FINANCIAL RESTRUCTURE | **Pages 8–9**

	Why they are important	How we create value for them	Their key interests	Key engagement channels	Outcome of engagement
Our shareholders and other investors FURTHER LINKS FINANCIAL REVIEW | **Page 86**	Our shareholders and other investors are of critical importance to Petrofac. Continued access to capital is vital to deliver the Financial Restructure and ensure the long-term performance of our business. We work to make sure that our shareholders and other investors, lenders and other credit providers, have a strong understanding of our strategy, performance, ambitions and culture. Investor views are considered during strategy discussions to enable the Board to provide information that will drive informed investment decisions.	Returning Petrofac to sustainable profitable growth is a core priority for the Board. We aim to run a sustainable business, with strong fundamentals, which is focused on returning to long-term growth and the delivery of predictable returns.	• Financial performance and economic returns • Application of our business model and implementation of our strategy • Governance matters, including Board effectiveness, succession, and remuneration • Sustainability and ESG performance • Strong leadership • Reputation	• Our Annual General Meeting, where shareholders can ask questions • Regular meetings and roadshows held with key investors to discuss strategy, operational and financial performance • Management presentations provided to institutional and credit investors following publication of our results, which are streamed live via a webcast and are available on our website • The Chair and Remuneration Committee Chair engage with investors on matters relating to governance, succession, and remuneration • Regular updates provided to the Board on investor sentiment	• The Board reflected on the ongoing external impacts on the Group and affordability, and consequently no dividend was recommended • Continued engagement was undertaken throughout the year, with over 200 meetings held with key shareholders, investors and analysts • Discussions with creditors, prospective creditors, shareholders and prospective shareholders in relation to the Financial Restructure • Regular market updates to keep the market informed on the business' performance and the strategic and financial review
Our suppliers FURTHER LINKS ESG | **Pages 63–65**	Strong supplier relationships ensure sustainable, high-quality delivery for the benefit of all stakeholders. By understanding the respective strengths of many suppliers and vendors, we can specify the most appropriate solution and technology for each client. By nurturing local supply chains, we are able to reduce delivery risk and freight miles.	With a commitment to local delivery, we help suppliers to develop their capabilities, enhance their delivery, and conform to global ESG expectations, helping businesses become significant international enterprises.	• Implementation of the strategic framework • Business model application • Ethical and HSE credentials • Transparent tendering process • Reasonable terms and conditions • Sustainable engagement • Emissions targets	• Attendance at industry events and trade shows • Engagement between supply chain partners and our Compliance function to ensure understanding and compliance with our Code of Conduct • Continued engagement to keep them informed of the strategic and financial review • Through our website and social media platforms • An annual assessment of our extended supply chain to identify and address potential human rights issues • Supplier roadshows at the start of major projects to understand their credentials • Contractor safety forums organised to share HSE best practice initiatives	• An in-country value spend of US$764 million, equating to 47% of goods and services purchased for our non-joint venture projects (page 63) • Representatives from contractors, local government and client attended our first Contractors' Safety Forum in Lithuania • Following the migration to a new due diligence platform in 2022, we enhanced the way our suppliers and business partners are monitored, enabling more in-depth due diligence reviews to be conducted • Continued to work openly with our supply chain to update them on our financial review, as well as imperatives including human rights, to ensure that everyone working on our projects is treated with fairness, dignity, and respect • We worked with our supply chain to assist in setting their emissions targets to support their lower carbon ambitions

Stakeholder engagement continued

	Why they are important	How we create value for them	Their key interests	Key engagement channels	Outcome of engagement
Our employees FURTHER LINKS ESG | **Pages 59–61**	Our greatest asset is our experienced, diverse and dedicated workforce. As a service business, it is our people, their skills, capabilities and attitude, who set us apart from our competitors. With a distinct, delivery-focused culture, we need employees to have a positive, problem-solving approach. Our employees are the driving force behind our Group and we are committed to ensuring we have safe and effective working environments, which enable everyone to perform to their true potential.	We are committed to being a good employer, with an engaged and diverse workforce who are fairly remunerated. We provide all employees with opportunities for personal and professional development. We also have a strong and demonstrable commitment to keeping people safe and looking out for their wellbeing.	• Career and development opportunities • Diversity and inclusion matters • Health, safety, and wellbeing • Fair pay and reward • Job security • Implementation of the strategic and energy transition agenda and the impact of digitalisation • Two-way engagement	• Regular interaction between the Board and management during and after Board meetings, focusing on performance and strategy • The Petrofac Workforce Forum • Employee network groups • Regular townhalls to update employees on performance, strategy and priorities • Talent management and succession plan discussions • Board sessions with graduates, future talent and senior management • Annual employee engagement survey • Internal engagement campaigns to reinforce important topics such as health and safety, compliance, diversity and inclusion, mental health awareness, and Net Zero initiatives	• Increased participation rate in our employee engagement survey and strong engagement scores • The Petrofac Workforce Forum met twice with the Board/Executive team • Networking sessions held with our new Group Chief Executive, members of the Executive team and employees in key offices across the Group • Four employee network groups supported more than 1,100 employees • New reward and recognition initiatives introduced, and reduced working hours in the UAE • Further development of our mentoring programmes across the Group • Achieved our 2025 target of 30% of women in senior management roles • Increased cadence of internal communication to keep employees abreast of progress on our strategic and financial review
Our clients FURTHER LINKS STRATEGY IN ACTION | **Pages 12–19**	With strong client relationships, we are better able to identify and compete for new business and growth opportunities. By taking a client-centric approach, and seeking their feedback, we are better able to develop innovative solutions that create value and improve their overall experience. Drawing on demonstrable levels of satisfaction among existing clients, we are equipped to expand into adjacent sectors and new geographies.	Deliver a positive client experience through superior, innovative EPC and service solutions, while designing, building, and operating safe, high-quality, highly operable energy assets and infrastructure.	• Operational delivery • Commercial flexibility • Implementation of the strategic framework and evidence of a rigorous and integrated ESG strategy • Ethical credentials • Health and safety processes and initiatives • High levels of in-country value • Digitally enabled innovation	• Meetings with key clients, involving Executive Directors, members of senior management and our project delivery teams • Regular participation at industry events • Our website and social media platforms • Regular participation at trade shows and conferences • Materiality review surveys and in-depth interviews • Continued engagement to keep them informed of the strategic and financial review, and working with them towards securing a comprehensive solution	• New contracts and contract extensions signed during the year with several longstanding clients, including ADNOC, Sonatrach, bp, and TenneT • Continued development of long-term client relationships, receiving support during the Financial Restructure • Successfully executed energy transition opportunities • Development of a range of flexible commercial delivery models • Continued deployment of new digital technologies, that allow site audits and equipment inspections to be conducted virtually • Maintained our client-centric ethos to harness innovation and digital technology to find new ways to add value

	Why they are important	How we create value for them	Their key interests	Key engagement channels	Outcome of engagement
Local communities FURTHER LINKS ESG | **Pages 61–65**	Our local delivery model is a key differentiator for Petrofac and we want local communities to benefit from our presence. We actively support local communities to address local issues responsibly and manage the social and environmental impacts of our business, which we believe will bring long-term sustainability to the communities where we operate. Our aim is to be a force for good in the communities we serve and, in doing so, create value for all our stakeholders.	Wherever Petrofac operates, we are committed to creating shared value, by engaging with local communities, investing in local supply chains, employing local people, training local workforces, and stimulating local economies, while minimising any harm to the natural environment.	• Investments in local supply chains • Supporting infrastructure improvement programmes • Sustainability • Human rights matters • Local employment opportunities • The impact of activities on the wider community • STEM education initiatives	• Ad hoc face-to-face meetings with local communities • Vocational development programmes with our local partners • Public consultations • Human Rights audits at project sites and in neighbouring communities • Public and media relations	• We invested more than US$158,000 in community engagement and social performance initiatives • Initiated a review of our approach to social investment to deliver a more holistic, joined up approach • Several social programmes are in place which are focused on building capacity with the local supply chain, creating local jobs, and supporting vocational training and apprenticeships and scholarship programmes • Our in-country value programmes are continually reviewed and extended to grow sustainable economies and create value for the Group as well as local communities • Enhanced our labour rights due diligence screening • In-country value
Governments, regulators and industry bodies FURTHER LINKS ESG | **Page 32**	We are subject to the laws and regulations of many governments and regulators across the world. We work closely with our regulators to help shape our industry, agreeing commitments and continually reporting our performance against these. As geopolitical situations evolve and the energy transition gathers pace, government policies will inevitably have an increased impact on our sector and consequently, we are committed to engaging constructively on a range of issues, both with government bodies and regulators and through industry associations to achieve the best outcomes for customers and the environment.	The global economy runs on energy, and we are involved in building and operating significant energy assets and infrastructure and helping clients to meet the world's evolving energy needs and delivering the energy transition. Aside from our direct investments in local economies, we contribute to public finances via the taxes we pay. Our local delivery model also sees us investing in local supply chains, employing local people, and stimulating local economies.	• Health and safety matters • Performance against regulatory targets • Governance and compliance matters • The energy transition agenda • Taxation • The UN Climate Change Conference (COP28)	• Through the UK regulator North Sea Transition Authority (formerly Oil and Gas Authority) • Through our representation with trade bodies, such as OEUK, the EIC, CBI and Renewable UK • Participation in round table and industry consultations on issues that are relevant to our business, e.g. carbon capture, usage and storage (CCUS) business models • Responding to numerous consultations on issues affecting the industry • Attendance and participation in industry events	• We engaged directly and actively with state bodies, as well as national oil companies, in almost all of our territories • We have developed a range of training facilities, designed to increase capacity and skills in the local economy in several countries, and we are participating in national skills training initiatives in Algeria and Mozambique • John Pearson, Chief Operating Officer, Energy Transition Projects, is on the Board of OEUK • Our total tax spend reached US$149 million

Key performance indicators

Measuring our progress.

R Part of the 2023 Executive Directors' Remuneration

Petrofac sets key performance targets and assesses performance against these benchmarks on a regular basis.

Revenue

2023	US$2,496m (3)%
2022 (restated)	US$2,567m[3]
2021	US$3,038m

Description – Measures the level of revenue of the business.

Measurement – Revenue for the year as reported in the consolidated income statement.

Business performance EBIT[1] R

2023	(72)% US$(393)m
(restated)[3] 2022	US$(229)m
2021	US$(12)m

Description – EBIT means earnings before interest and tax and provides a measure of the operating profitability of the business.

Measurement – EBIT is calculated as operating profit, including the share of net profit from associates and joint ventures (see A4 in Appendix A of the consolidated financial statements).

Reported EBIT

2023	(77)% US$(418)m
(restated)[3] 2022	US$(236)m
2021	US$(189)m

Description – EBIT means earnings before interest and tax and provides a measure of the operating profitability of the business.

Measurement – EBIT is calculated as reported operating profit, including the share of net profit from associates and joint ventures (see A6 in Appendix A of the consolidated financial statements).

Backlog R

2023	US$8.1bn 138%
2022	US$3.4bn
2021	US$4.0bn

Description – Provides a measure of the visibility of future revenues.

Measurement – Backlog consists of: the estimated revenue attributable to the uncompleted portion of Engineering & Construction operating segment contracts; and, with regard to Asset Solutions, the estimated revenue attributable to the lesser of the remaining term of the contract and five years.

Business performance EBITDA[1]

2023	(107)% US$(310)m
(restated)[3] 2022	US$(150)m
2021	US$56m

Description – EBITDA means earnings before interest, tax, depreciation and amortisation.

Measurement – EBITDA is calculated as operating profit, including the share of net profit of associates and joint ventures, adjusted to add back charges for depreciation and amortisation (see A3 in Appendix A of the consolidated financial statements).

Reported EBITDA

2023	(110)% US$(340)m
(restated)[3] 2022	US$(162)m
2021	US$(86)m

Description – EBITDA means earnings before interest, tax, depreciation and amortisation.

Measurement – EBITDA is calculated as reported operating profit, including the share of net profit of associates and joint ventures, adjusted to add back charges for depreciation and amortisation (see A5 in Appendix A of the consolidated financial statements).

Business performance diluted loss per share (EPS)[1,2,3]

2023	(93.4)¢/s	(64)%
(restated)[3] 2022	(57.1)¢/s	
2021	0.8¢/s	

Description – EPS provides a measure of net profitability of the Group taking into account changes in the capital structure, for example, the issuance of additional share capital.

Measurement – Business performance diluted EPS attributable to Petrofac Limited shareholders, as reported in the consolidated income statement and calculated in accordance with note 9 of the consolidated financial statements (see A2 in Appendix A of the consolidated financial statements).

Free cash flow

R

2023	US$(223)m	(19)%
2022	US$(188)m	
2021	US$(281)m	

Description – Free cash flow is defined as net cash flows from operating activities, plus net cash flows from investing activities, less interest paid and the repayment of finance lease principal plus amount received/paid from/to non-controlling interest.

Measurement – See A9 in Appendix A of the condensed consolidated financial statements.

Cash conversion

R

2023	12.6%
2022	0%
2021	0%

Description – This KPIs measures both the absolute amount of cash generated from operations and the conversion of EBITDA to cash.

Measurement – Free cash flow, as per appendix A11 of the consolidated financial statements. Cash conversion is calculated as cash generated from operations divided by business performance EBITDA.

Lost time injury

2023	0.021
2022	0.018
2021	0.018

Recordable incident frequency rates

2023	0.107
2022	0.094
2021	0.091

Description – Provides measures of the safety performance of the Group, including partners and subcontractors.

Measurement – Lost time injury (LTI) and recordable incident (RI) frequency rates are measured on the basis of reported LTI and RI statistics for all Petrofac companies, subcontractors and partners, expressed as a frequency rate per 200,000 work hours. We aim continually to improve our safety record, but our target for these measures is zero.

Employee numbers

2023	8,600	8%
2022	7,950	
2021	8,200	

Description – Provides an indication of the Group's service capacity.

Measurement – For the purposes of the Annual Report, employee numbers include contract staff and the Group's share of joint venture employees.

1. Business performance before separately disclosed items. This measurement is shown by Petrofac as a means of measuring underlying business performance.
2. Attributable to Petrofac Limited shareholders, as reported in the consolidated income statement.
3. The prior year numbers are restated as detailed in note 2.9 to the consolidated financial statements.

Helping our clients shape the future of energy

ESG

Working every day on the decarbonisation of the global energy system

Our purpose is to help clients meet the world's evolving energy needs, which means our business is focused on the decarbonisation of the global energy system.

This is not about emerging business lines or future aspirations. It's already central to what Petrofac does and how we do it.

What we do – decarbonising traditional energy sources and transitioning to new ones

The energy transition is high on the agenda for all our clients, and our everyday work reflects that fact – whether that be decommissioning ageing hydrocarbon assets, reducing the carbon intensity of existing ones, building a new generation of lower-carbon facilities, or introducing alternative energy sources like wind and hydrogen.

Almost every Petrofac project or assignment is linked to decarbonisation. We see the energy transition as an opportunity for Petrofac to innovate, to differentiate, and to meet client needs in new ways. As the transition evolves and more new solutions come online, it is proficient and proven energy service firms like Petrofac that will be needed to turn theory into reality.

How we do it – bringing benefits to our business, people, and communities

As we help our clients to deliver the energy transition, we are determined to do so in a way that brings benefits to our business, our people, and the communities where we operate.

We have committed to minimising the environmental impact of our own operations and supporting our suppliers to do the same. We have a local delivery model that enriches communities, creating new jobs, and bringing new wealth. Also, as a people-based business, we care deeply about personal and professional development, we have a culture that embraces diversity, we are a leader in protecting the safety and wellbeing of our people and, with a client-centric ethos, we nurture innovation and value creative problem solving.

Operationalising our ESG commitments

With 40% of their incentives tied to it, ESG has the attention of all Executive team members, and we are making demonstrable progress on many fronts.

In 2023, for instance, we continued to strengthen our Health, Safety, Environment and Quality (HSEQ) teams through a range of internal promotions and external appointments. We further progressed our efforts to understand and quantify the true source and scale of our Scope 3 emissions.

We also stepped up the focus on our downstream Scope 3 emissions and, more specifically, the total life cycle emissions of the facilities we design and build on behalf of clients. This is supported by our newly developed emissions forecasting tool to model and predict the emissions over the entire lifetime of an energy facility.

These are just a few examples from many – the details of which you can read in this report.

TAREQ KAWASH
Group Chief Executive

How we make a difference

We aim to play an active role in the global energy transition, and we do so across four dimensions:

Introducing new clean energy assets	**We help clients to design, build and operate new clean energy assets, such as wind and hydrogen.** We have been working in wind power for more than a decade and have delivered the engineering for several pioneering hydrogen projects. In 2023, we were awarded a multi-year Framework Agreement for offshore wind HVDC platforms and grid connections for TenneT in the North Sea. Being delivered jointly with Hitachi Energy, this is the largest contract framework award in our history.
Decarbonising existing energy assets	**We help clients to reduce the carbon intensity of existing assets.** Examples include a series of refinery upgrades in countries such as Kuwait, Thailand, and Lithuania. In each case, the new world-class facilities enable their clients to dramatically improve the environmental performance and quality of their fuels. In 2023, we were also awarded the contract for the Habshan Carbon Capture, Utilisation and Storage (CCUS) project, a key decarbonisation initiative for ADNOC Gas.
Decommissioning ageing energy assets	**The decommissioning and repurposing of oil and gas assets are key enablers of the global energy transition, and we are the only tier-one global contractor with the in-house capability to manage all well engineering, mature, and asset decommissioning phases.** We developed our innovative approach in the North Sea, where we have worked on projects for clients such as bp, Tullow, and Hess. More recently, we have taken that expertise worldwide, including to the Northern Endeavour project on behalf of the Australian Government, and to several fields in the Gulf of Mexico, again for bp – a project that was recently highlighted by the North Sea Transition Agency (NSTA) as an example of global best practice.
Running our business in a sustainable way	**For our own operations, we have committed to reach Net Zero on Scopes 1 and 2 by 2030.** This adds to our authority in the industry and incentivises us to develop innovative approaches within our own business – and the 2023 award of a Gold Impact Seal award for delivering on our sustainability strategy in the UAE is indicative of our success. Through our wider ESG approach, we are committed to the safety and wellbeing of our teams, a local delivery model that draws on ethical supply chains, a diverse workforce, and consistent standards of ethical behaviour.

Defining our material issues

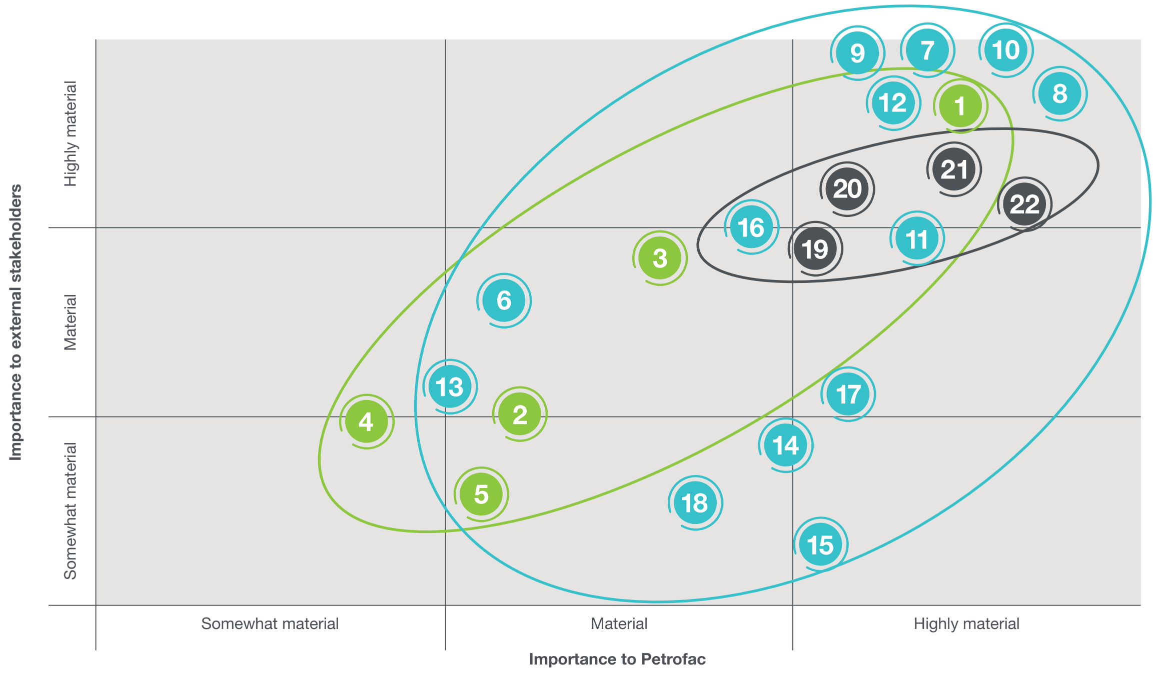
Understanding what matters most to our stakeholders

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

In 2023, we conducted a materiality survey among 60 participants from various external stakeholder groups, including clients, investors, and supply chain partners, plus employees. We also take soundings on stakeholder attitudes and opinions in a number of face-to-face meetings, such as sustainability working groups, sustainability awareness sessions, investor engagement meetings, and routine meetings with clients and suppliers.

Based on these findings, we updated our materiality matrix, which is used to inform our approach to sustainability and guide our ESG programmes.

Material issues



Environmental aspects

1. Climate change and GHG emissions
2. Circular economy
3. Air pollution
4. Biodiversity
5. Water management

Social aspects

6. Diversity and inclusion
7. Worker welfare
8. Human rights
9. In-country value
10. Process safety
11. Modern slavery
12. Contractor safety management
13. Social licence to operate
14. Training and learning
15. Recruitment and retention
16. Occupational health
17. Emergency response
18. Security risks

Governance aspects

19. Whistleblowing
20. Responsible governance
21. Anti-bribery and corruption
22. Ethical conduct

Environmental, Social and Governance continued

An ESG framework focused on shared value

Delivering on our sustainability strategy

We believe that by far the biggest contribution we can make to sustainability is to help our clients transform the global energy system. In the grand scheme of things, our own business operations have less impact. Yet we are committed to running Petrofac in a sustainable way, and our approach to sustainability has a high profile within the business.

Our sustainability strategy is structured around the three ESG pillars:

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

We maintain an online dashboard to track our performance against each dimension, which is publicly available at www.petrofac.com/who-we-are/sustainability-and-esg/sustainability-and-esg-reporting/.

To build on the considerable progress made since our ESG strategy was launched in 2020, we commenced a review in 2023, and intend to present a refined approach to the Board in 2024.

Our strategic goals

Links to the UN Sustainable Development Goals

Achieving recognition for our impact

In July 2023, we were awarded the Gold Impact Seal for delivering on our sustainability strategy in the UAE. The Gold Impact Seal is the country's official federal recognition that certifies, measures and rewards entities leading sustainable impact practices aligned with ESG criteria, the UN Sustainable Development Goals (SDGs) and national priorities.

The Gold Impact Seal is administered by Majra, the National CSR Fund, a federal authority setting the framework and governance for Corporate Social Responsibility in the UAE. It highlighted several areas of excellence including the alignment of our procurement approach with the UAE's national objectives and driving in-country value.

Advances in new energies and digital solutions to overcome sustainability issues were also commended, along with our approach to promoting innovation in the workplace.

Aligning with the Sustainable Development Goals

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

We are also a signatory of the UN Global Compact, and this report serves as our Communication on Progress on the implementation of its ten principles. The report is also prepared in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures.

Strengthening our team

During 2023, we continued to strengthen our central HSEQ teams through internal promotions and external appointments. For example, our new Group Head of Health and Safety previously held senior positions in Tier 1 companies such as bp, Tullow Oil, and Perenco and her arrival complements other recent appointments in the wider HSEQ teams, helping us to benefit from deep experience and a diversity of viewpoints.

Our ESG priorities, targets, and performance

Strategic priority	Material issues	Targets	Progress in 2023 (● On target ● Progressing ● Target not achieved)		Further information
Addressing climate risk and resilience	1, 3	Net Zero by 2030 (scope 1 and 2 emissions)	Progressing	Our Flare Reduction Taskforce delivered a step-change in emissions performance for our PM304 asset in Malaysia, and we have successfully reduced our GHG emissions intensity in the IES business division by 56% since 2021.	SEE | **Page 41**
Circularity, waste and water management	2, 5	Circular economy adopted by all sites	Progressing	We continue to make good progress, phasing out most non-essential single-use plastics from all our offices and project sites. Improved categorisations, segregation and reporting of waste has been implemented to promote circular economy at our project sites, with 50% of recyclable waste recycled/reused.	SEE | **Page 41**
Sector-leading health and safety	7, 10, 12, 16, 17	Zero harm	Target not achieved	Tragically, we reported one fatality in 2023 involving one of our contractors. The incident was investigated in detail and reviewed by senior management and, separately, by the Board. Contractor management remains one of the strategic pillars of our health and safety programme, with a focus on continually improving overall performance.	SEE | **Page 56**
Enhancing diversity and inclusion	6, 15	30% women in leadership roles by 2025	On target	We successfully met this target, with 30.5% women in leadership roles achieved during 2023.	SEE | **Page 60**
Respecting human rights	8, 11	All third parties screened for human rights	Progressing	Notwithstanding the controls' deficiencies identified during the year (see page 65), we continued to screen contracted third parties for human rights violations. The number of companies pre-screened, ahead of any prequalification request, within the E&C business unit, was 2,401 (up from 1,911 in 2022). Our processes continue to support us to uncover and address a small number of labour rights violations (such as late salary payments) at lower tiers of our supply chain.	SEE | **Page 65**
Optimising in-country value	9	Sector-leading local delivery	On target	In-country value (ICV) action plans are implemented in all our key geographies focusing on nationalisation, supply chain capacity building, local purchasing and investment. The proportion of local goods and services purchased was 47% of total project spend.	SEE | **Page 63**
Embedding ethical values and behaviours	19, 20, 21, 22	No regulatory non-compliance	Progressing	We continued to embed a compliance ethos across the Group, saw improvements in the quality of Speak Up reports, and have enhanced our processes and controls through the use of our cloud-based due diligence platform, operated by Dow Jones.	SEE | **Page 69**
Enhancing transparency, governance and disclosure	20	Move beyond compliance	Progressing	We continued to integrate the TCFD recommendations into our existing risk and governance processes, incorporating good practice recommendations from the Financial Reporting Council. Our governance practices are recognised by third parties and ranked as 'leading those of peers' by MSCI.	SEE | **Page 43**

Why this is important to our business model and strategy

environmental

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

A central consideration is our role in the global energy transition, including the decommissioning of ageing hydrocarbon assets, reducing the carbon intensity of existing ones, building a new generation of lower-carbon facilities, or introducing alternative energy sources like wind and hydrogen.

Of course, our approach also extends to mitigating the risk of environmental incidents, as well as the environmental performance of our own operations.

Links to the SDGs

Highlights

We are committed to reaching Net Zero[1] in Scope 1 and 2[2] emissions by 2030

Reduced our Scope 1 and 2 footprint by 12%

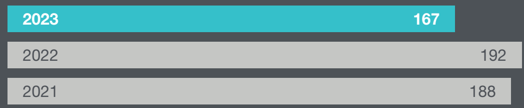
Saved 22% in electricity usage at our office in Sharjah, UAE

Switched to 100% green energy in our Mumbai office in India

Our Performance[1]

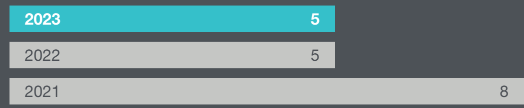
Scope 1 emissions

(direct from owned or controlled sources)
Tonnes of carbon emissions (000 tCO_2e)



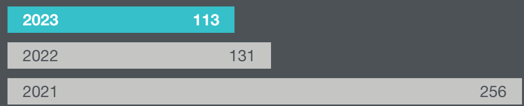
Scope 2 emissions

(indirect from purchased energy)
Tonnes of carbon emissions (000 tCO_2e)



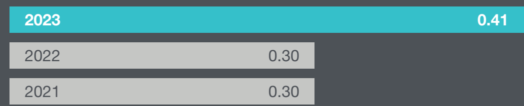
GHG Intensity IES

(000 tCO_2e per million boe production)

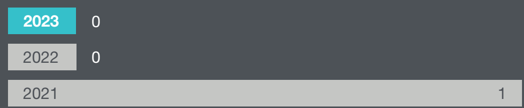


GHG Intensity E&C/AS

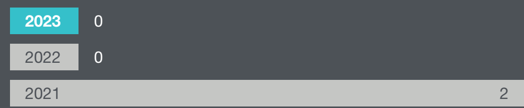
(000 tCO_2e per million hours worked)



Number of spills above one barrel



Hydrocarbon spilled volume in barrels



1. Greenhouse Gas Protocol Standard Corporate Accounting and Reporting (equity share approach) followed for Scope 1 and 2 emissions (market based), utilising SANGEA Energy and Emissions Estimating System and UK Government greenhouse gas (GHG) conversion factors.
2. To calculate GHG Intensity (GHGI): for IES – total scope (1+2) emissions of IES/ net production in boe and for E&C/Asset Solutions – total scope (1+2) emissions of (E&C+Asset Solutions) / million of work hours are used.

Environmental, Social and Governance continued

Moving towards our Net Zero goals

Our targets support the principles of the Paris Climate Agreement and, with the wider sector moving towards decarbonisation, they are aligned with our clients' ambitions.

Our main decarbonisation levers are:

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

Currently, 88% of our Scope 1 emissions come from our producing asset Block PM304 in Malaysia. This production sharing contract expires in September 2026, and we are not in continued discussions with Petronas in respect of an extension. Therefore, a material reduction in our Scope 1 emissions is expected after 2026.

Our cloud-based emissions dashboard captures and displays all of our Scope 1, Scope 2 and Scope 3 emissions data at the corporate, business unit, and project level. Available to all employees via any online or mobile device, this helps us to increase awareness of our performance and adds to the urgency of our Net Zero journey. We also began to publish our environmental performance data (alongside other ESG metrics) on our website.

Supply chain

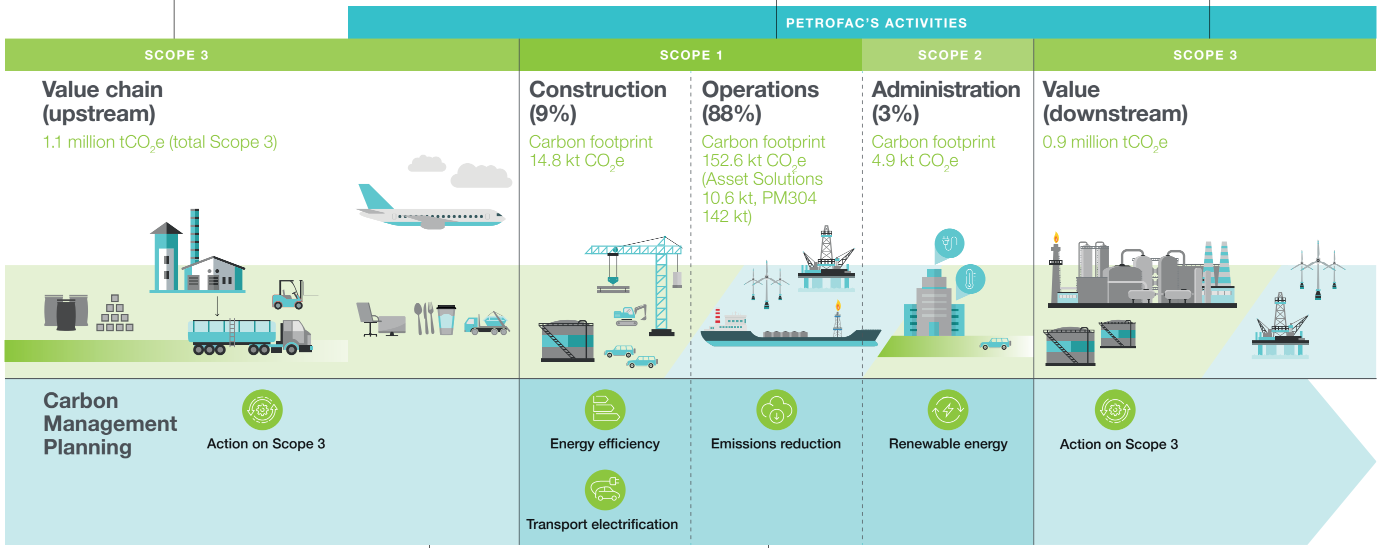
Low-carbon supply chain elements were codified into our vendor management systems to facilitate low-carbon procurement and project delivery.

Production operations

The Flare Reduction Taskforce was established to identify decarbonisation opportunities related to gas re-injection (sequestration and storage), condensate recovery, gas shut-off, electrification, and gas export. The Taskforce worked in partnership with the Block PM304 team in Malaysia to deliver a 56% reduction in emissions intensity since 2021.

Digitalisation

We matured our Scope 3 programme, extending our assessment across all applicable categories of the GHG Protocol, including the energy footprint of the facilities we design, build and operate, and use this to identify low-carbon solutions for our clients.



Decarbonisation guidance rolled out

The detailed 'how to' guidance for the business was rolled out across each business unit.

Emissions management tool

Net Zero action plans were put in place for all our main offices, focusing on switching energy supply to renewable energy (where available), advancing initiatives to promote more efficient use of energy and water, and introducing electric vehicle charging points.

For the latest on our environmental performance data, visit our website / **petrofac.com**

Stepping up our downstream Scope 3 focus with a new emissions forecasting tool

In 2023, we continued our efforts to understand and quantify the source and scale of our Scope 3 emissions. More significantly, we stepped up the focus on our downstream Scope 3 emissions – and, more specifically, the total life cycle emissions of the facilities we design and build on behalf of clients.

This is where we can have the biggest positive influence, and where the potential impact far outweighs the scale of our own operations. By helping clients to introduce lower-carbon intensity facilities, and by developing energy transition projects, such as wind and hydrogen, we play a role in the decarbonisation of global energy systems.

To this end, we developed an emissions forecasting tool to model and predict the emissions over the entire lifetime of an energy facility. By the close of 2023, we had reached the minimum viable product (MVP) stage, ready to trial and develop a fully production-ready version in 2024.

Assessing our supply chain

To facilitate low carbon offerings, we have embedded sustainability requirements into the pre-qualification process for potential suppliers via the Zycus supply chain system. This consists of a mandatory ESG questionnaire.

Initiating a review of our sustainability strategy

With several new contract awards and an increased industry focus on decarbonisation, we initiated a review of our sustainability strategy and, more specifically, our approach to emissions reduction.

This is set to refocus our attention on the area where we can have the biggest positive impact – namely the decarbonisation solutions we offer to our clients, and our energy transition business.

How we manage our environmental performance

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

In terms of emissions, we have committed to reducing our own Scope 1 and 2 emissions in accordance with our internal decarbonisation strategy to be Net Zero by 2030. Since 2020, we have already successfully reduced our emissions by 34%. Increasingly, we are adding low-carbon, clean fuel and decommissioning projects into our portfolio, thereby helping our clients decarbonise.

Each year, we participate in the Carbon Disclosure Project (CDP), and in 2023 we continued to enhance our climate change programme and again achieved a CDP rating of B, which is above the average of C for our sector.

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

We continually strive to improve our waste management practices following the duty of care as a basic principle. Project-specific waste management plans are developed considering local regulations and available infrastructure for successful implementation.

In 2023, we expanded our internal waste categorisation to enhance segregation, recycling, reuse and reporting of waste to promote a circular economy. Though we regularly face challenges in terms of the availability of recycling facilities in the vicinity of remote project locations, our team recycled/reused around 50% of the total recyclable waste generated, which aligns with our circular economy target of 50%.

Reflecting on our 2023 performance

In 2023 our absolute emissions reduced by 12% compared with 2022.

The key contributors to achieving this included: the completion of a flare abatement and reservoir management project at our PM304 asset in Malaysia; the upgrade of our air conditioning system in our Sharjah office; switching to renewable energy in our Mumbai office; and the implementation of various energy efficiency-related projects across our office estate.

Although we made progress with our Net Zero plans and emission reductions goals, this was not reflected in our emissions intensity, which rose slightly in 2023 for the core E&C business (see below). We continue to monitor the energy landscape in our geographies with a view to switching to more renewable electricity sources.

In IES, we achieved an emissions reduction of 15% (141,982 tCO_2e down from 166,341 tCO_2e) and emission intensity reduction of 14% (113 down from 131). This was due to a combination of operational optimisations, flare reduction, reservoir management, logistics enhancements, and employee commuting patterns. This was driven by our Flare Reduction Taskforce, in partnership with the Block PM304 Reservoir Management and Operations Teams in Malaysia.

Greening our offices

Chilling out in Sharjah

The replacement of the air conditioning chillers at our Petrofac office in the UAE achieved a 22% saving in electricity usage and a reduction of 250 tonnes of CO_2 emissions.

In E&C, absolute emissions increased by 3% (19,475 tCO_2e up from 18,911 tCO_2e) and emissions intensity increased by 47% (0.34 up from 0.23). The increases were largely driven by the phasing of the projects in the E&C portfolio. With many projects approaching the commissioning phase, energy demand increased, while the number of onsite employees fell (thus less people power).

Environmental, Social and Governance continued

Sustainability in Thailand

Enriching local biodiversity

Our team marked World Environment Day by hosting a mangrove planting campaign. We worked with around 50 participants from the local community to plant almost 500 mangrove trees at the Laem Chabang Community Mangrove Forest.

1. Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting.
2. Greenhouse Gas Protocol: Technical Guidance for Calculating Scope 3 Emissions.

Reflecting on our 2023 performance continued

In Asset Solutions, absolute emissions decreased by 5% (10,955 tCO_2e down from 11,568 tCO_2e), while the emissions intensity increased slightly to 0.60 from 0.55. The changes were largely due to the completion of several projects in the MENA region and the move to more energy-efficient offices in the UK.

In terms of spill performance, we experienced zero spills of above one barrel volume in 2023. While minor releases below this volume do not require official reporting, we continued to monitor and learn from a small number of low volume releases with localised impact. A full investigation was conducted for every incident to identify the root causes, and appropriate clean-ups were conducted as defined procedures.

Addressing our Scope 3 emissions

We recognise that the emissions from our value chain are a material part of our carbon footprint and, in 2023, we continued with a Scope 3 programme to better understand the related decarbonisation challenges and opportunities.

The spend-based and activity-based methodologies[1,2] were applied as appropriate to calculate the emissions. We evaluated our Scope 3 emissions across all relevant categories.

The total value chain emissions were 2.04 million tCO_2e with the majority of emissions falling under two categories – Category 1: Purchased goods & services (0.918 million tCO_2e) and Category 11: Use of sold products (0.913 million tCO_2e). The 2023 Scope 3 emission figures were significantly less than the previous year due to a change in calculation methodology and lower emission footprint of Category 11.

We shall continue to increase the robustness of our emission inventorisation by transitioning into a supplier-specific approach for our value chain emissions and distance-based tonnage calculations for our logistics-related emissions in the near future.

Decarbonising our global office estate

In 2023, we made a series of energy-saving improvements across our global network of offices, with 20% in renewable energy switches achieved. Highlights included:

- **UAE** – upgrading the air conditioning system in our Sharjah office, resulting in an annual saving of 250+ metric tons of CO_2e
- **India** – running on 100% green energy in our Mumbai office and achieving certification for our Chennai office as an LEED Green Building
- **Oman** – switching to LED lighting throughout our Muscat office
- **UK** – moving from the North Quay office in Great Yarmouth to a far more energy-efficient building, Havenbridge House, reducing overall electricity use by a monthly average of 9,600 kWh

Supporting a range of community-based environmental initiatives

Across our global operations, we participated in a wide range of community-based environmental initiatives. Some highlights from 2023 include:

Visag refinery modernisation project

At this major EPC project in Andhra Pradesh, India, environmental protection has been a major theme of our community-based activity and, to reflect our contribution, we received a Collaborative Impact Award. Initiatives from 2023 include: planting saplings and running a children's competition to mark World Environment Day; rehabilitating the land that had been previously occupied by a Petrofac batching plant and fabrication shop, including the planting of 250 trees, ready for community use; and observing the Earth Hour Campaign with a complete cessation of operations – encouraging our teams to reflect on environmental impacts and, at the same time, conserving 120 kWh of electricity.

Initiatives to enrich local biodiversity

Thai Oil Clean Fuels project, Thailand

Given its coastal location in the Gulf of Thailand and its proximity to the local population, community-based environmental initiatives have always been an important theme of this refinery upgrade. In 2023, our team marked World Environment Day by hosting a mangrove planting campaign. We worked with around 50 participants from the local community to plant almost 500 mangrove trees at the Laem Chabang Community Mangrove Forest.

Ravva terminal, India

30,000 mangroves were planted along the coast of Ravva in collaboration with our client Vedanta to protect the coast and enhance local biodiversity.

Task Force on Climate-related Financial Disclosures

We are committed to supporting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This report outlines the progress we have made against the recommendations. We have also built on this programme, by progressing on the financial quantification of the climate risks and opportunities (CRO) and identifying key mitigation measures for every material risk. We have integrated the recommendations further into our existing risk and governance processes and incorporated the TCFD Good Practice Recommendations from the Financial Reporting Council (FRC)[1].

1. FRC CRR Thematic review of TCFD disclosures and climate in the financial statements, July 2022.

Governance

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

Our Sustainability Steering Committee (SteerCo), which reports to members of the Executive team, and periodically to the Board, provides support, guidance, and oversight of progress on our decarbonisation programme. The Steering TCFD Working Group monitors and evaluates climate-related risks and opportunities and tracks management actions.

Performance is reported periodically to the Executive team and the Board through bimonthly key performance indicator (KPI) metrics and regular presentation of related technical and strategic papers.

Informing our strategy

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

We actively manage climate-related physical and transition risks, ranging from the increased potential for extreme weather events to disrupt our operations to the evolving policy landscape that may impact the Group, such as insurance premiums, carbon taxation or more restrictive emissions legislation.

Climate risk management

Climate-related risks are classified according to the TCFD's risk management framework. This addresses transition and physical risks, such as the evolving policy landscape, the shift to a low-carbon economy, changing stakeholder perceptions and preferences, and risks that are event-driven, such as the increased severity of extreme weather, as well as longer-term shifts in climate patterns.

Issues such as the changing energy usage and the shift to a low-carbon economy are also assessed for the opportunities they create as we look to expand our new energies business.

Assessments are undertaken as short-term (0 to 3 years) and medium to long-term (4 to 10+ years) timeframes to align with business planning and long-term strategic time horizons.

Climate-related risks and opportunities arising out of the energy transition are fed into the enterprise risk management programme and consolidated into our principal and emerging risks, which are reviewed by the Executive team, endorsed by the Audit Committee, and approved by the Board.

Metrics and targets

Our principal stated goal is to achieve Net Zero (Scope 1 and 2) by 2030. However, we are evolving the emphasis from an internally focused Net Zero strategy to also focus on the role we play externally in helping our customers decarbonise (Scope 3) and accelerating the energy transition through our energy transition projects.

We continue to drive the circular economy approach in our operations, with a target of reusing/recycling 50% of our total recyclable waste.

This year, we established a separate delivery unit for energy transition projects to expand our new energies portfolio and have targeted that, in the medium term, this will account for 20% of our revenues.

In 2023, we made progress in the following areas: we continued to develop a carbon intensity ranking for each of our projects and operations; we established the Sustainability SteerCo at the Executive management level and revived the Sustainability Working Groups for each business unit with a focus on driving decarbonisation at existing and new projects.

The role of the working groups is crucial in embedding sustainability into existing systems and processes. To have a better understanding of decarbonisation opportunities, we conducted a gap analysis using the decarbonisation checklist on 75% of our existing projects for which an implementation plan will be developed in 2024.

As part of our focus on Scope 3 emissions, we have developed a low-carbon bid pack which offers low-carbon products and services via engineering solutions and green materials. Furthermore, we are engaging carbon-intensive parts of the supply chain on decarbonisation with a preference for low-carbon goods/services (prioritising plastics reduction, low-carbon steel and bulk materials).

Environmental, Social and Governance continued

Either at the pre-bid stage, the bid stage, in project execution, or in operations and maintenance, we collaborate to discuss priorities, propose solutions, assess costs, quantify benefits and – ultimately – deliver tangible improvements.

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

Task Force on Climate-related Financial Disclosures

In compliance with Listing Rule 9.8.6(8), our climate-related financial disclosures are summarised here, with the status of our compliance with the TCFD Recommendations and Recommended Disclosures set out in implementing the Recommendations of the Task Force on Climate-related Financial Disclosures published in October 2021, including the following guideline documents:

- 2017 Recommendations of the TCFD
- 2020 Guidance on Scenario Analysis for Non-Financial Companies
- 2021 Implementing the Recommendations of the TCFD
- 2021 Guidance on Metrics, Targets and Transition Plans
- 2022 TCFD Status Report
- 2023 TCFD Status Report

Recommendation	Response
Governance	
a) Describe the Board's oversight of climate-related risks and opportunities	
Process and role of Committees DISCLOSURE LOCATION | Pages 70–71, 106	Climate change is a material governance and strategic issue that is regularly addressed by our Board and Executive team through strategy and investment discussions, enterprise risk management, and performance reviews against our commitments. The Board is responsible for oversight of the overall conduct of the Group's business, which extends to setting our climate response strategy and approach to the energy transition. The Board is assisted by four Board Committees: Audit, Compliance and Ethics, Nominations and Remuneration. These Committees each have risk management oversight relevant to their specific areas of responsibility, and where relevant, this includes the management of energy transition and climate risks. For example, the Audit Committee has delegated responsibility for monitoring and reviewing the integrity and effectiveness of the Group's overall risk management framework, which covers the management of energy transition and climate risks. The Board and its Committees typically meet every two to three months. Climate and energy transition issues are discussed at each Board meeting.
Examples of the Board and relevant Board Committees taking climate into account Disclosure level: **Full** DISCLOSURE LOCATION | Pages 2, 4–7, 38–42	In 2023, the Board progressed key actions defined by the Group Head of HSEQ to monitor progress towards fulfilment of our sustainability strategy. Performance is reported periodically (typically bimonthly) to the Executive team and the Board through key performance indicator (KPI) metrics that include: • Reducing GHG emissions (GHG intensity or absolute reduction) • % of waste reused and recycled out of total recyclable waste The Board also evaluates new business development opportunities (such as mature asset management and decommissioning) against the potential to impact our Net Zero commitments, balancing market needs for energy security with the importance of enabling the transition to a low-carbon energy sector.

Recommendation	Response
Governance continued	
b) Describe management's role in assessing climate-related risks and opportunities	
Who manages climate-related risks and opportunities DISCLOSURE LOCATION | **Pages 33, 130**	The assessment and management of climate-related risks and opportunities is integrated into the Executive team's area of responsibility as climate-related objectives. Associated targets and KPIs are cascaded down through line management and incorporated into employee scorecards.
How management reports to the Board DISCLOSURE LOCATION | **Page 106**	The Board and its Committees are updated on climate-related issues by the Company Secretary's office, which works closely with the Executive team to develop materials that assist the Board and its Committees in discharging their responsibilities. In addition to these Board Committees, there are a number of executive management committees in place, which meet more frequently, and are involved in assessing the materiality of climate-related and energy transition risks and opportunities, and considering matters for recommendation to the Board and its Committees. The Group Head of HSEQ is the principal point of contact with the Board and Executive team for ESG-related matters.

Recommendation	Response
Governance continued	
b) Describe management's role in assessing climate-related risks and opportunities continued	
Processes used to inform management Disclosure level: **Full** DISCLOSURE LOCATION | **Pages 26–29, 35, 61**	The Sustainability SteerCo consists of senior management representatives from all key functions, and is responsible for providing support, guidance and oversight of progress on our decarbonisation programme. The SteerCo is supported by the business units. Sustainability Working Groups monitor progress, identify new decarbonisation projects within the business units, address new client-related requirements and any emerging regulations around climate change that may impact our operations. In 2023, the Sustainability Working Groups were revived within each business unit to take local ownership for delivering decarbonisation. Additionally, an initiative was launched under the E&C business unit to recognise where and how we need to improve the way we work, and build on our existing strengths, to deliver and grow more consistently. One of the key elements is to embed sustainability goals into our business operations including decarbonisation initiatives. These initiatives are monitored and followed up at the working group level. Progress around the following decarbonisation initiatives were periodically reported to management: • Energy efficiency solutions and renewal energy projects • Transport electrification • Scope 3/supply chain by initiating green procurement initiatives • Engineering low-carbon solutions • Data to decision via digitalisation Communication mechanisms are well defined, with climate-related matters and progress on our decarbonisation and new energies strategies discussed at each of our global townhall meetings, business unit leadership calls, and quarterly HSE webcasts accessible to all staff. In addition, a regular status update is provided to the Executive team and Board on decarbonisation progress through the periodic Group Chief Executive report.

Environmental, Social and Governance continued

Task Force on Climate-related Financial Disclosures continued

Recommendation	Response
Strategy	
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	
Processes used to determine material risks and opportunities DISCLOSURE LOCATION | Pages 22–25, 27–29, 72–73	Our strategic risk and opportunity reviews continue to be informed by a range of sector analyses, including the full range of future scenarios developed by the IEA. The following scenarios are used to aid our understanding of how the pace and nature of the energy transition may affect our strategy, and the actions we can take to build resilience and pursue related opportunities: • **Net Zero Scenario (Low Carbon)**: global warming <1.5°C by 2100. Technology, investments, and policies are deployed in line with the objective of reaching Net Zero emissions by 2050, with effective carbon-constrained policies, rapid and widespread decarbonisation, with accelerated transition to a low-carbon energy matrix. This scenario sets out a pathway for the global energy sector to achieve Net Zero CO_2 emissions by 2050. It doesn't rely on emissions reductions from outside the energy sector to achieve its goals. • **Announced Pledges (Mid Carbon)**: global warming <2°C by 2100. Effective carbon-constrained policies leading to progressive decarbonisation across the majority of the energy system, emission cuts, transformation of consumer behaviour and values, with transition to a low-carbon energy matrix. This scenario assumes that all climate commitments made by governments around the world, including Nationally Determined Contributions (NDCs) and longer-term Net Zero targets (i.e. by 2100), as well as targets for access to electricity and clean cooking, will be met in full and on time. • **Stated Policies Scenario (High Carbon, status quo)**: global warming >2.6°C by 2100. Existing policy frameworks and intentions fail to meet targets of the Paris Agreement, with absence of effective policy implementation at scale to promote low-carbon economy or significant changes to the energy matrix and the values and behaviour of society. This scenario reflects current policy settings based on a sector-by-sector and country-by-country assessment of the specific policies that are in place, as well as those that have been announced by governments around the world. We actively manage climate-related physical and transition risks, ranging from the increased potential for environmental and safety incidents that disrupt our operations (across all time horizons), to the current evolving policy landscape (short-term horizon) that may impact the Group, such as carbon taxation or more restrictive emissions legislation. Using our new energies transmission station project 2GW as a case study, we were able to review the impact of the EU Green Deal and the Carbon Border Adjustment Mechanism (CBAM) over both short and medium-term horizons, with CBAM commencing in 2023 and the accompanying charging regime commencing in 2026 and impacting our EU-based projects.

Recommendation	Response
Strategy continued	
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term continued	
Relevant time horizons Disclosure level: **Full** DISCLOSURE LOCATION | **Pages 72–77**	In reviewing our strategy, we consider a wide range of opportunities and risks across two discrete time horizons: • **Short-term** (0–3 years): defined by detailed business and financial plans, which are performance managed in delivery of our business plan targets. • **Medium to long-term** (4–10 years medium-term, 10+ years long-term): given the rapid pace of external change and the wide range of uncertainties, this time horizon enables us to consider longer-term scenarios and possible energy transition pathways.

The transition to a lower carbon economy presents both risks and significant business opportunities to Petrofac. We have identified various climate-related physical and transition risks and opportunities based on the scenarios mentioned above. Building on the progress from previous years, during 2023, we made incremental steps towards identifying the potential financial impacts of the principal risks and opportunities through engaging with internal stakeholders. For further information on opportunities in energy transition, please see the Market outlook section on page 22.

Low-carbon future <2°C – Announced Pledges Scenario – RISKS

Risk Driver	Risk	Time horizon	Potential financial impact	Controls / mitigations
Market – Transition to low-carbon economy	Loss of market share or guarantees for oil and gas projects, limited quota for oil and gas projects	Mid-long term	Decreased revenue from reduced demand	A separate delivery unit for energy transition projects was created to build capability to advance the Company's position within the energy transition and target a greater market share of non-oil and gas projects (20% revenue by 2030)
	Cost of carbon credits in Net Zero scenario	Long term	Increased operating costs	Cost to be captured during proposal/ bidding stage of the project
	Resourcing – erosion of talent & resources, which will impact our delivery of projects	Short term	Increased operating costs	Current business unit resources provide support to the delivery of energy transition proposals and projects, marketing and any other business partnering support required for energy transition projects; upskilling plans in place
Current and emerging regulation – Increased climate change-related regulations	Inclusion of carbon tax or material import regulation can directly increase the cost of materials	Short term	Increased operating costs	Cost to be captured during the proposal/bidding stage of a project and clear provision in the T&Cs of the contract

Recommendation Response

Strategy continued

a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term continued

Low-carbon future <2°C – Announced Pledges Scenario – OPPORTUNITIES

Risk Driver	Opportunity	Time Horizon	Potential Financial Impact	Controls / Mitigations
Market – New energies market	Deliver material growth and increased market share through the energy transition	Short term	Increased revenues from new markets	Advance new energies strategy to target renewables and low-carbon sectors Build long-term stakeholder partnerships promoting innovative value-adding solutions in the renewable sector that differentiate our service
Market – Decommissioning of ageing assets	Due to tighter regulations, new opportunities, and increased demands for decommissioning of ageing oil and gas projects	Short term	Increased revenues from new markets	Advance on energy efficiency services
Products and services – Growth of low-carbon economy	Increased demand for low impact materials and equipment (and disclosure of this) from our new energies clients Thus we will have/are having a competitive advantage by providing low-carbon offering	Short term	Increased revenues from new markets	Advance our low-carbon offering strategy by sharing case studies, offering low-carbon products and services via engineering solutions and green materials, further engaging with customers and suppliers to discuss low-carbon alternatives for high-carbon intensity bulk items, collaborate and contribute to their respective decarbonisation ambitions

Recommendation Response

Strategy continued

a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term continued

High global warming >2.6°C Stated Policies Scenario – RISKS

Risk Driver	Risk	Time Horizon	Potential Financial Impact	Controls / Mitigations
Acute physical – Increased severity/ frequency of extreme weather e.g., cyclones, fires, floods, extended monsoon season impacts marine operations, onshore flooding of vulnerable areas	Physical risk to critical assets/people from extreme weather events	Long term	Increased operating costs and increased capital expenditures	Operations are carefully planned to minimise weather-sensitive activities (e.g. drilling, diving, etc.) during monsoon season Explore deployment of Petrofac digital platforms (e.g. Digital Twin, Connected Worker) to further optimise O&M programmes and minimise offshore personnel exposure Vendor development programmes and ICV initiatives build capacity across multiple geographies and resilience of local supply chains and reduce exposure to potentially vulnerable international supply chains Engage with customers and insurance companies at early stage to improve the contract and policy T&Cs provision to capture climate-related risks
	Increased disruptions to supply chains, transport, and logistics networks of critical equipment	Long term	Increased operating costs and increased capital expenditures	
	Increase in insurance premiums and coverage availability	Long term	Increased operating costs and increased capital expenditures	
Market – Reallocation of capital away from oil and gas sector	Unavailability of funding due to reduced appetite from financial markets	Short term	Decreased access to capital	Reduce reliance on debt funding and accelerate new energies projects
Reputation – Deteriorating stakeholder sentiments to oil and gas sector	Increasing perception that oil and gas industry is in decline and reputational damage if ESG performance and disclosures are not as per investors/ stakeholders' expectations	Short term	Decreased access to capital	Continuous improvement of ESG datasheet, TCFD, CDP and other ESG ratings; proactive shareholder engagement Executive remuneration linked

Environmental, Social and Governance continued

Task Force on Climate-related Financial Disclosures continued

Recommendation	Response
Strategy continued	
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	
Impact on strategy, business, and financial planning DISCLOSURE LOCATION | Pages 4–7, 32–42	The potential implications of climate change and energy transition building momentum are described in the Market outlook and energy transition related sections of this Strategic report. We review the renewables and low-carbon sectors in depth to identify where our technical expertise and delivery experience would be the most valuable to clients. Based on this analysis, we have aligned our experience in high-voltage systems, offshore platforms, gas processing, clean fuels and grey hydrogen to where clients need our ability to integrate and manage risk around large complex capital project delivery. As a result, we are focusing our energy transition strategy on offshore wind, CCUS, hydrogen, waste-to-value, and emissions reduction. In the medium term, we are targeting that energy transition will account for at least 20% (~US$1 billion targeted) of our revenues. In addition to advancing energy transition, the Group's ambition is to become a Net Zero company by 2030 (Scope 1 and 2 emissions). The Group's current climate change strategy focuses on reducing GHG emissions, investing in low-emission technologies, supporting emission reductions in the value chain and promoting product stewardship, managing climate-related risks and opportunities, and working with others to enhance the global policy and market response. Petrofac is also working towards assessing and reducing our Scope 3 emissions, engaging our value chain on decarbonisation strategies to enable their low-carbon ambitions. In 2023, we continued to consider the impact of climate-related issues on our financial planning, for example analysing the likelihood and impact of acute physical risk on the logistics and supply chain, price volatility of commodities, access to capital market due to limited quota for oil and gas projects, increased insurance premiums related to extreme weather events, and de-risking financial assumptions and contract renewal terms against possible carbon taxation in general.
Impact on products and services DISCLOSURE LOCATION | Page 60	To achieve our Net Zero ambition, we recognise that much of our workforce will need to have additional skills and capabilities. One of the programmes under implementation is a competency mapping exercise, to understand what transferable skills we already have and what skills will be required to support the transition and ensure alignment with government and industry initiatives and client requirements.

Recommendation	Response
Strategy continued	
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning continued	
Impact on our supply chain DISCLOSURE LOCATION | Pages 42, 63–64	During 2023, an initiative was commenced to assess our top 100/150 engineering and construction suppliers on their GHG reduction targets and other sustainability goals by building climate-related risks into our supply chain due diligence. By extending our local delivery model, we are continuing to reduce our reliance on international supply chains, matching local suppliers with project opportunities, and improving our logistics efficiencies, carbon footprint and supply chain resilience.
Impact on value chain DISCLOSURE LOCATION | Page 42	A low-carbon plan has been developed through consultation with key functional teams and is being incorporated into bids, outlining Petrofac's low-carbon service offering and decarbonisation strategies. In 2023, we had further development of our low-carbon services including the emissions forecasting tool.
Impact on our offices DISCLOSURE LOCATION | Page 42	Purchased energy emissions comprise 4% of our total carbon footprint. Our target is to progressively transition to 20% renewable energy by 2023 and 50% by 2030, and we are pursuing opportunities to switch to renewable energy across the Group. Most of our UK offices and facilities have already switched to renewable power, and we have transition plans in place for our other permanent offices globally.
Impact on operations DISCLOSURE LOCATION | Pages 40–42	Our production operations account for 88% of our total carbon footprint, largely due to flaring, venting, fugitive emissions and fuel gas. Our aim is to deliver a 25% reduction in emissions by 2030 through operational improvements, gas shut-off and power generation changes. We are also targeting a 30% reduction in emissions intensity by 2030 from our construction operations through savings from energy efficiency and hybrid power generation initiatives. However, the production sharing contract for Block PM304 in Malaysia expires in September 2026.

Recommendation	Response
Strategy continued	
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning continued	
Impact on financial planning DISCLOSURE LOCATION | Pages 22–25, 74	The financial impact of climate-related risks and opportunities are periodically evaluated, principally over short to medium-term horizons and across different climate scenarios. Allowances are incorporated into financial plans to mitigate risks and advance opportunities. Examples include: • Additional financial contingency built into project and operational budgets to account for the increased frequency and severity of climate and its impact on weather-sensitive events • Periodic review of voluntary offset carbon markets, projected carbon prices and development of a carbon offset strategy to mitigate pricing and offset quality risks Contractual provisions to mitigate the risk of evolving climate legislation, such as the EU Carbon Border Adjustment Mechanism, which was evaluated against the projected steel imports for a range of EU-based projects under tender, and contractual clauses implemented to mitigate potential supply chain cost impacts.
Impact on financial performance and liabilities Disclosure level: **Partial** In 2023, the Company began exploring the financial implications of climate-related risks and opportunities identified. While progress has been made in identifying these factors, further assessment workshops are necessary to accurately quantify their financial impact. The Company anticipates ongoing incremental progress in this area. DISCLOSURE LOCATION | Pages 22–25, 74	The IEA and International Renewable Energy Agency forecast that to limit warming to 1.5°C, the world requires three times more renewable energy capacity by 2030. This means that to deliver the energy transition, government and private enterprise will need to spend heavily to build new energy infrastructure, with the energy transition representing a US$35 billion addressable market for Petrofac by 2030. Against this backdrop, Petrofac has continued to build on our related credentials. We have an already strong position in offshore wind, which was reinforced by the 2023 award of a multi-year Framework Agreement by TenneT, being delivered in partnership with Hitachi Energy with a value of US$14 billion. Two out of six projects in this framework have already been awarded during 2023. In carbon capture and storage (CCUS), Petrofac was awarded a major Engineering Procurement and Construction (EPC) contract by ADNOC Gas, one of the largest carbon capture projects in the Middle East and North Africa region. We also progressed with a series of contracts across hydrogen and waste-to-value, and our integrated plan-design-and-build approach puts us in a strong position when larger projects start to be awarded. We also continually monitor the financial impacts and liabilities of a range of climate-related risks ranging from the global policy landscape necessary to support our growth in energy transition, to carbon pricing and fossil fuel policies that could impact the operating costs of our producing assets (PM304). With regards to PM304, the production sharing contract in Malaysia expires in September 2026, and we are not in continued discussions with Petronas in respect of an extension. At present, while these risks are evolving, they are not yet at a threshold to be considered material.

Recommendation	Response
Strategy continued	
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	
Embedding climate into scenario analysis DISCLOSURE LOCATION | Pages 22–25	We believe our strategy and targets are resilient to a range of energy transition pathways (based on IEA scenarios) and are aligned to the outcomes of COP28, the climate commitments of respective governments, and the drive for emissions reductions which will continue to be a key priority in all markets. In particular, the commitment to triple renewable generation by 2030, where our growing position in offshore wind will enable us to participate and enable this target to be met. In 2023, we started to systematically integrate the potential outcomes of different climate scenarios into our strategy and financial planning process to ensure our capital allocation was appropriately aligned with the energy transition and the evolving risks and opportunities. Our analysis and that of others, have shown that across a range of climate scenarios, from a rapidly decarbonising world (our Paris-aligned 1.5°C Net Zero scenario) to one where only current policy targets are realised (our high-carbon future), the demand by clients for our services across both traditional oil and gas and new energies (such as wind, CCUS, hydrogen, etc) remains resilient. Overall, this analysis reinforced our confidence in the resilience of our strategy to a wide range of transition scenarios and its long-term viability.
How we factor in evolving government policy DISCLOSURE LOCATION | Page 29	We regularly engage with policymakers, contributing to their public consultation programmes, offering our expertise, and incorporating evolving developments into our strategy and scenario planning. We engage on a regular basis with UK and Scottish government departments, particularly the Department of Business, Energy, and Industrial Strategy (BEIS), Department of Business & Trade (DBT) and the North Sea Transition Authority (NSTA). In 2023, at COP28, we engaged with the DBT teams at various levels exploring opportunities to support the DBT in the MENA region and advance Petrofac's energy transition strategy. We engaged a wide range of stakeholders at COP28, from major customers, small technology companies, educational institutions (such as at the Heriot Watt Climate Hub) UNIDO, NZTC, Khalifa University and financial institutions, and participated in a panel at the FAB (First Abu Dhabi Bank) stand in the Green Zone.

Environmental, Social and Governance continued

Task Force on Climate-related Financial Disclosures continued

Recommendation	Response
Strategy continued	
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario continued	
How we collaborate with industry to build resilience DISCLOSURE LOCATION | Page 29	We believe substantive input from industry and other stakeholder organisations leads to better outcomes on evolving policy, practice, and standards. In 2023, we maintained our relations with numerous external stakeholders and industry trade bodies by participating in various initiatives by Offshore Energies UK and the North Sea Transition Authority, where we shared Petrofac's sustainability approach and how we drive ESG across the whole value chain. We discussed the importance of collaboration and communication from operators down the chain, ownership from the supply chain upwards, the importance of consistency, and ultimately the opportunity and benefit of applying ESG in business growth to the supplier. We attended a decarbonisation conference where we collaborated, shared ideas and expertise on emissions reduction across the energy sector in the UK, and discussed how governments and regulators can help the industry by implementing supporting and sufficient regulations. We were also a part of several working groups with external stakeholders where we shared our expertise on topics like methane measurements, emissions reduction, chemical applications, radiation and circular economy. In addition, we maintained our collaborative initiatives of various other industry trade bodies such as the Energy Industries Council, and organisations specific to the new low-carbon technologies, such as Global CCUS, Wind Europe, NECCUS, the Hydrogen Fuel Cell Association, and the Hydrogen Strategy Now campaign. This also included regional and international trade bodies such as the EIC and the British Chamber of Commerce in UAE and Egypt for example. We have also created alliances with several technology providers and developers across our new energies strategic priority areas, as well as the Hitachi Energy partnership in offshore wind, to best position the Group to advance opportunities in these sectors. We further deepened our collaboration and activities with key partners. Examples of our engagement include: • Our partnership with the Oman Hydrogen Centre (OHC), who we are collaborating with in building capabilities for Oman's renewable energy sector, particularly in green hydrogen • Our delegation at COP28, enhancing collaborative partnerships with a range of traditional and new energies stakeholders focused on scaling up decarbonisation and climate resilience

Recommendation	Response
Strategy continued	
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario continued	
Ensuring continued relevance of our strategies DISCLOSURE LOCATION | Pages 70–71	As the world adjusts to an unprecedented energy crisis and macro-economic slow-down, our clients seek to find the best long-term balance between energy security, affordability, and sustainability. Our growth strategy is continually recalibrated to the near-term exigencies of energy security and affordability, maximising current production with the lowest carbon footprint from our producing assets and targeting opportunities within our traditional oil and gas and offshore wind markets. In the mid to long term, we are accelerating decarbonisation and the transition to a low-carbon energy sector through CCUS, hydrogen and waste-to-value growth strategies. Evolving changes to the global climate change strategy or decarbonisation milestones are continuously monitored by the TCFD Working Group. As part of our governance processes, our strategy is validated annually by the Board to ensure it remains relevant and resilient. As our approach matures, we will look to begin incorporating greater financial quantification and internal assurance into our climate risk analysis.
How climate resilience builds future viability Disclosure level: **Full** DISCLOSURE LOCATION | Pages 94–97	Recognising the potential of the transition to occur faster or slower than anticipated and on different pathways, we retain flexibility in our allocation of capital and resources, to ensure these are aligned to the evolving climate risks and opportunities. Petrofac is well positioned across both hydrocarbons and the energy transition markets. Our E&C business is well positioned in the robust hydrocarbon markets of the MENA region, spans the upstream, refinery and petrochemicals sectors, and helps clients to minimise the lifecycle emissions of their assets and infrastructure. Our Asset Solutions business is focused on helping clients find new operating efficiencies and extend the life of their assets and has a leading position in mature asset management and decommissioning. With regards to energy transition, our capabilities and track record positions us well in the rapidly growing offshore wind market underpinned by the six-platform TenneT multi-year Framework Agreement, and when larger hydrogen, CCUS and waste-to-value opportunities materialise, our increasing credentials and experience make us a natural delivery partner for many clients. Disclosures regarding the resilience of our strategy in each of the warming scenarios will be further enhanced in 2023.

Recommendation	Response
Risk Management	
a) Describe the organisation's processes for identifying and assessing climate-related risks	
Process	Our risk management framework provides us with a consistent approach to identify, manage and oversee the risks that may impact our business. The scope and size of issues considered is aligned to TCFD guidance and follows Petrofac's Enterprise Risk Management process. This effective risk analysis and response underpins our ability to achieve our objectives and assess opportunities as our business evolves. In 2023, we engaged with various functions via one-to-one sessions to identify and discuss risks and opportunities related to climate change. In addition, we included a case study from a new energies project.
DISCLOSURE LOCATION | Pages 70–71	

Function	Focus area
Risk, Finance, Tax & Insurance	**Markets, Products and Services:** impacts on access to, and cost of capital, potential impacts of carbon taxes, opportunities to access green finance or ESG financial instruments. **Physical Risks:** impact on availability and cost of insurance.
Strategy & Business Development	**Markets, Products and Services:** shifts in supply and demand for energy services. **Technology:** risks/opportunities of low-carbon economy.
Comms & Marketing, Investor Relations	**Reputation:** evolving stakeholder perceptions of fossil fuels and changing social norms. **Markets:** changing investor sentiments and impact/opportunities for liquidity, investor confidence, share price.
Legal	**Legal:** climate-related litigation and enforcement action risks. **Policy:** transition risks and opportunities of evolving climate policy landscape.
Supply Chain	**Market:** shifts in the availability, vulnerability and cost of critical commodities and services.
Operations	**Physical Risks:** acute/chronic risks to people, assets, operations. **Policy:** transition risks of evolving policy landscape and impact on operating costs, access to licences. **Resource Efficiency:** availability, vulnerability and cost of critical commodities and services, as well as operability and efficiency opportunities within the energy transition. **Technology:** risks associated with the transition to a lower carbon economy.

Recommendation	Response
Risk Management continued	
a) Describe the organisation's processes for identifying and assessing climate-related risks continued	
Process	(see table below)

Function	Focus area
Technical & Project Management	**Policy:** transition risks of evolving policy landscape. **Market:** shifts in availability, vulnerability and cost of critical commodities and services we contract. **Technology:** risks associated with the transition to a lower carbon economy.
2GW Project (Case study)	**Markets, Products and Services:** impact on access to, and cost of capital, potential impacts of carbon taxes, opportunities to access green finance or ESG financial instruments, impact on availability and cost of insurance.

Disclosure level: **Full** DISCLOSURE LOCATION | Page 74	We continue to integrate climate risk into the supporting policies, processes, and controls for our key climate risks, and intend to update these as our climate risk management capabilities mature over time.
b) Describe the organisation's processes for managing climate-related risks	
Process	Our risk management framework provides us with a consistent approach to identify, manage, and oversee climate-related risks that may impact our business and is designed to underpin the Group's longer-term sustainability (for further details see the Risk management section of this Strategic report). As part of our business planning process, we review the Group's principal risks and uncertainties quarterly. Energy transition risks are captured within the principal risk 'Failure to deliver energy transition projects strategy' and covers various aspects of how risks associated with the energy transition could manifest. The scope of risks and opportunities were considered across three parts of our value chain: • Upstream: activities, products and services that are inputs to our business sourced from third parties, such as the regulations and policies applied by governments and the products and services provided by our supply chain • Direct operations: the day-to-day activities to deliver the projects/ services to our clients • Downstream: the third parties benefiting from the outputs, products and services of our business activities Risks were viewed over short, medium and long-term time horizons, with likelihood of occurrence assessed as: • Probable: > 50% chance of occurrence • Possible: 15–50% chance of occurrence • Unlikely: 5–15% chance of occurrence • Rare: <5% chance of occurrence

Environmental, Social and Governance continued

Task Force on Climate-related Financial Disclosures continued

Recommendation	Response
Risk Management continued	
b) Describe the organisation's processes for managing climate-related risks continued	
Process continued Disclosure level: **Full** DISCLOSURE LOCATION | **Page 75**	Similarly, physical climate-related risks such as extreme weather are covered in our principal risks related to HSE incidents. Identified risks are prioritised in terms of their materiality, enabling decisions on the adequacy of our controls and the most appropriate and cost-effective response calibrated to the risk appetite of the Group. Ownership of risks falls within the responsibility of each function, with the TCFD Working Group supporting the monitoring and closing-out of actions.
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management framework	
Implement risk management	Transition and physical climate-related risks are identified, assessed, and managed across the Group, addressing issues such as evolving policy, threat of legal action, market changes, reputational issues, and extreme weather. Risks and opportunities are integrated into the overall risk management framework through their contribution to and /or impact on principal risks and sub risks, for example; how failure to deliver on our Net Zero commitments may impact ETP strategy. Further examples include: • Policy risks – government consultation and advocacy strategy that supports appropriate climate action while providing stability for business • Market risks – the new energies business line was created in 2021 to build capability to advance the Company's position within the energy sector's transition. We have since established a medium-term revenue target of at least US$1 billion or 20% of revenue • Capability and resourcing risks – Petrofac recognises that, to advance our business as the energy sector transitions, we will need new skills and capabilities. To enable this, a Workforce Reskilling Taskforce was set up to bring together colleagues who can help develop solutions to enable the upskilling of our workforce in line with our energy transition strategy and the UK Government's objectives set out in the North Sea Transition Deal • Production risks – to reduce our flaring and fugitive emissions, gas management plans continued to be implemented. Developments in 2023 include a 14% reduction in emissions intensity at our production asset in Malaysia

Recommendation	Response
Risk Management continued	
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management framework continued	
Implement risk management continued Disclosure level: **Full** DISCLOSURE LOCATION | **Pages 26–29, 70–71, 74–75**	• Fines or other regulatory penalties – whilst difficult to predict how these might crystallise, the base case cost contingencies and downside adjustments aim to capture any exposure here as well as other legal/regulatory risks on other aspects of the business. We undertake a periodic review of the voluntary carbon offset market to have visibility of future offset costs and on current assessment • Extreme weather – in the base case, our business budgets are formulated using industry knowledge of operating in extreme weather conditions (e.g. North Sea storms, Malaysian monsoons, desert climates, etc.) and contingencies are included accordingly, whether by way of cost or scheduling contingencies or both. In the downside scenario, the business has captured the risk of further downside within the scheduling delays and cost overruns in E&C, margin reduction in Asset Solutions and production downside in IES

Metrics and Targets	
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	
Our business performance	Petrofac sets KPI targets for business performance and delivery of our strategy and assesses progress against these benchmarks on a regular basis.
Price assumption	A range of probable price scenarios are selected for carbon offset calculations and the voluntary offset market is monitored to inform our future offset strategy. The BloombergNEF Long-Term Carbon Offset Outlook is used as a primary indicator of the evolving prices of offsets input into future offset price assumptions to account for the cost of achieving Net Zero.
ESG Metrics	Our ESG strategy is guided by a full set of related KPIs which are included in the ESG strategic sections of this report. The key climate-related metrics are outlined. Performance is reported periodically to the Executive team and the Board through monthly and regular presentation around our Sustainability strategy, key challenges and performance progress.

Recommendation | Response

Metrics and Targets continued

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process continued

Board and senior management incentives

Through our incentives programme we continue to embed a net-zero mindset and ownership of our climate response and new energies performance across the Board and Executive leadership.

Targets are set by the Remuneration Committee each year, taking into account a number of internal and external reference points, including the Company's key strategic climate response and new energies objectives for the year (further detail is provided in the Remuneration Committee section of this report).

The reward structure is aligned to our risk management framework and the delivery of critical long-term strategic goals. For FY2023, these goals remained as the previous year and included:

- Promoting sustainability – greenhouse gas intensity reduction
- Energy transition – revenue from new energies

Line management ownership of our climate response and advance our energy transition strategy is also promoted through a broader range of business and project-specific KPIs in senior management goal plans, that in addition to the above also include: progress with site decarbonisation, Carbon Disclosure Project CDP rating score, new energies business and capability development, and TCFD recommendations compliance

Disclosure level: **Full** specific metrics for climate related risks and opportunities will be identified in the next review cycle of the TCFD

b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks

Own operation

We report Scope 1, 2 and 3 GHG emissions from our operations and each year, submit to the Carbon Disclosure Project (CDP). The data is presented in the Environmental section of this report, and calculated based on the below methodologies:

- The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)
- The Greenhouse Gas Protocol: Scope 2 Guidance
- The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Standard
- American Petroleum Institute Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Natural Gas Industry
- Defra Environmental Reporting metrics

Our Scope 1 and 2 emissions were as follows:

- Scope 1 emissions = 167,000 tCO_2e
- Scope 2 emissions = 4,900 tCO_2e
- GHGi E&C/AS = 0.30 (000 tCO_2e per million work hours)
- GHGi IES = 124 (000 tCO_2e per million boe product)

DISCLOSURE LOCATION | Pages 40–42

Recommendation | Response

Metrics and Targets continued

b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks continued

Our value chain

We recognise that the emissions from our value chain are a material part of our carbon footprint and, in 2023, we extended our Scope 3 programme to better understand the related decarbonisation challenges and opportunities. The assessment of Scope 3 emissions is included in the Environmental section of this report with an explanation of category selection. Since, 2022, we are using sold products, which gives us a more holistic understanding of the true GHG impact of our business and its operations.

For 2023, our Scope 3 emissions were:

Scope 3 Category	Tonnes CO_2e
1. Purchased good & services	918,094.12 tCO_2e
2. Capital goods	*Included in Category 1*
3. Fuel- and energy-related activities	32,836.83 tCO_2e
4. Upstream transportation & distribution	114,576.33 tCO_2e
5. Waste generated in operations	33,036.64 tCO_2e
6. Business travel	11,300.83 tCO_2e
7. Employee commuting	19,456.40 tCO_2e
8. Upstream leased assets	*Included in Category 1*
11. Use of sold products	913,650.32 tCO_2e

Disclosure level: **Full**

DISCLOSURE LOCATION | Page 42

c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

Sustainability Net Zero targets

In 2020, we committed to transition to a lower carbon business. To this end, we aim to reach Net Zero in our Scope 1 and 2 emissions by 2030 and are promoting decarbonisation across our supply chain. 2020 is our base year against which our Net Zero (and Interim Targets) are measured from.

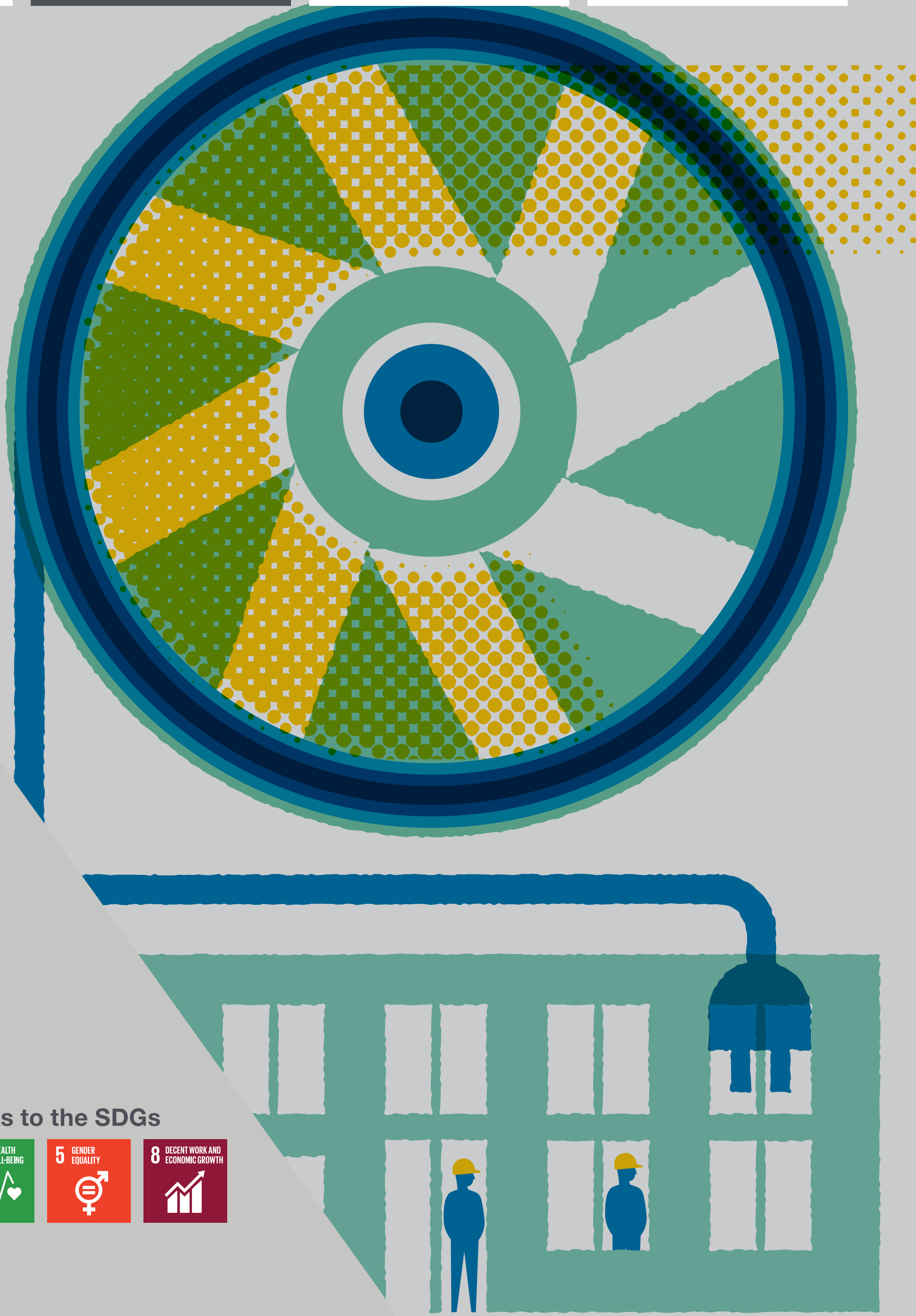
Objective	Metric	Target
Reduce GHG emissions via energy efficiency, emissions reduction and shifting towards renewable energy	GHG intensity reduction (ktCO2e/ million hrs) OR absolute reduction (ktCO2e) – Scope 1 and 2 (excl. IES)	5% reduction from previous year Refer to pages 37, 39–42
Effective supply chain decarbonisation	Incorporate ESG questionnaire into the supply chain pre-qualification	100% (new suppliers) Refer to page 41
Leadership commitment in driving ESG including climate change related KPIs	Remuneration – promotion of executive management remuneration linked to ESG (including climate change) consideration	40% of their incentives Refer to page 130
Circular economy adopted by all sites	% of waste reused/recycled out of total recyclable waste generated	50% of waste Refer to pages 37, 41–43

Disclosure level: **Full**

DISCLOSURE LOCATION | Pages 37–43

Why it is important to our business model and strategy

social



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

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

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

Links to the SDGs

3 GOOD HEALTH AND WELL-BEING
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH

Highlights

In 2023, we achieved our target of 30% of women in senior management roles by 2025

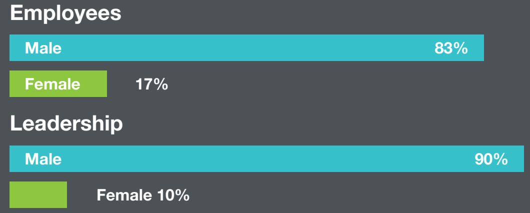
18 years without an LTI on the North Sea Kittiwake platform

Purchased US$764 million worth of goods and services locally[1]

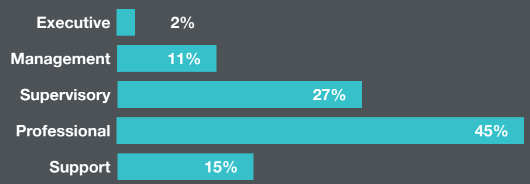
1. Non-JV Projects.

Our performance

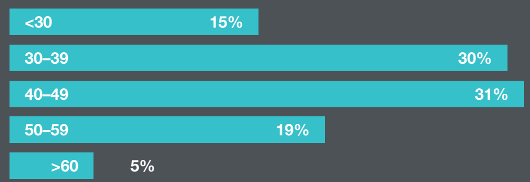
Gender profile of our people (%)



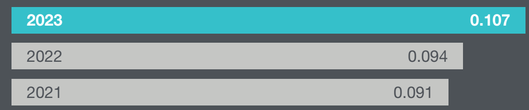
Grade profile of our people (%)



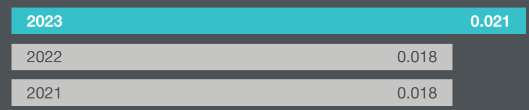
Age profile of our people (%)



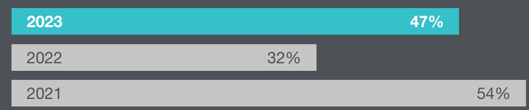
Recordable incident frequency rate



Lost time injury frequency rate



Spend on local goods and services[1] (%)



Environmental, Social and Governance continued

Health, safety, security and quality

Whatever their role and wherever they work, we want everyone involved with Petrofac to feel safe, valued, and cared for. Ultimately, our aim is for zero safety incidents, which we see as an entirely realistic goal.

Although our overall safety record is among the strongest in the industry and, as we return to delivering major projects at scale, our emphasis for 2023 was to ensure that the same uncompromising safety culture exists across the entire Group, and the same impeccable standards are applied on every site. Tragically, we did report one fatality involving one of our contractors, which was thoroughly investigated and lessons learned implemented.

Similarly, we continued to work to embed a culture of quality to prevent issues and deliver consistently across the organisation.

We expect that this commitment will help us to improve on an already strong safety performance, and attention to the wellbeing of employees will be a characteristic of the Petrofac culture.

Health and safety

Our health, safety and environment (HSE) strategy, launched in 2022, is based around five pillars:

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

The major themes of the strategy include:

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

Reflecting on our 2023 performance

Across our main indicators, our 2023 performance was broadly comparable with the previous year, and well ahead of industry norms:

- **Lost time injury (LTI) frequency rate** – increased slightly to 0.021 per 200,000 work hours, compared to an industry average of 0.056 (International Association of Oil and Gas Producers 2022)
- **Recordable incident frequency rate** – Increased slightly to 0.107 per 200,000 work hours, compared to an industry average of 0.180 (International Association of Oil and Gas Producers 2022)

The slight increases mirrored an equivalent upward trend across the wider industry. However, there was a continued decrease in the overall severity of workplace injuries, with most incidents being classed as minor, typically involving cuts, scrapes, trips and falls. Also, the actual number of lost time injuries and recordable incidents was down slightly compared to 2022.

Tragically, we did report one fatality. Involving one of our contractors, this occurred in Thailand on the Thai Oil Clean Fuels project, which had previously been LTI-free for more than 30 million work hours. The incident was investigated in detail and reviewed by senior management and, separately, by the Board. The lessons learned were fed back into our ongoing safety programmes.

Preventing serious injuries and ensuring the workplace is fatality-free remains our number one priority.

Celebrating a series of significant safety milestones

Some of the more significant safety-related achievements from our Engineering & Construction projects include:

- The HPCL Visakh Refinery modernisation project in India celebrated five years LTI free
- The Qusahwira field development project in Abu Dhabi celebrated five years LTI free

Meanwhile, in Asset Solutions, the LTI-free track record on many sites dates back for more than a decade, including:

- Kittiwake 18+ years
- BP Andrew, BP Clair, and BP ETAP 13+ years
- FPF-003 12+ years

Starting strong on all new projects

With several major project awards announced, a safety-related focus for 2023 has been to emphasise project start-up preparations. For example, Executive team members undertake site visits in the start-up phase of projects, which set the tone and ensure that a strong safety culture is established from the outset. Given that most onsite personnel are not directly employed by Petrofac, we also focus on contractor management, including Contractor Safety Forums at all new projects and Safety HOTSPOT (Hands-On Training Spot) training, for their respective employees.

Achieving a significant improvement in driving safety

For several years, driving had been an area of potential exposure across the Group. Along with our contractors, our people drive the equivalent of five times around the world each year, often in challenging environments and, in 2023, the total was more than 21 million miles.

In 2022, we stepped up our programme of road safety initiatives, including a total ban on night-time driving for everyone who works for or with our project sites, the introduction of a driving improvement app, and recognising those employees with the safest driving performance. As a result, we are seeing the benefits of these initiatives, as in 2023, the number of driving incidents fell to eight – down from 34 in 2022.

Increasing employee engagement and communication

To deliver on our HSE ambitions, we want the topic to be a key priority for the entire workforce. To ensure that our people are proactively and routinely engaged in health and safety, we operate several digital and mobile tools, including:

- **HSE dashboards** – all employees are given access, via their mobile phones, to real-time safety performance, which is available at the project, country, and business unit level. This helps us to raise awareness of our safety performance, demonstrate that everyone at every level is accountable, and keep the entire organisation focused on improving performance
- **HSE observation reporting tool** – a mobile app, available to all employees, enabling them to report any safety observations, both good and bad, via their mobile phones. In 2023, 25,000 reports were logged, representing a two-fold increase on 2022, which helps to keep employees engaged, and provides useful insights and leading indicators of potential issues
- **HSE social networking** – we use the Viva Engage platform to host an HSE social networking dialogue, which involves everyone in the HSE team and is open to anyone in the Company. With more than 400 active members, this is the second most active such group in Petrofac

In 2023, we also launched a new, all-Company HSE newsletter. Issued twice a year, this aims to keep engagement high, ensure a consistent approach, and amplify lessons learned.

Maintaining our focus on health and wellbeing

We have strong focus on employee health and wellbeing, which continued in 2023.

The fact that we employ a full-time Company Doctor is indicative of our approach. As well as running an in-house clinic, which is registered with the UAE Ministry of Health and Prevention, our Company Doctor heads up a range of ongoing health and fitness initiatives.

For example, a Know Your Numbers campaign focused on awareness of major risk factors, such as blood sugar and cholesterol levels. He travelled to several Petrofac offices to deliver townhall sessions and provide checkups. Engagement was high across the Company and one employee, who was subsequently referred to a local hospital, had cardiac surgery as a result.

A mental health campaign led to more than 20 employees volunteering as Mental Health First Aiders, helping us to draw attention to mental health issues and reduce the stigma that traditionally surrounds them.

Security and crisis management

Petrofac continues to commit to minimising risk to our staff, subcontractors, and surrounding communities. During 2023, to extend our capacity and expertise in this area, we progressed with a programme to increase the training and development of locally recruited staff into more senior roles within the Security and Crisis Management function.

Our projects continue to focus on responding effectively to crises through an ongoing programme of planning and drilling responses to a wide variety of scenarios. Through the life of a project, effort is made to ensure that the nature of drills reflects the specific threats to that phase of the project. As an example, as projects are commissioned, focus shifts to the specific threats around the introduction of feed stocks, the energisation of electrical systems, and the risks of working in the vicinity of testing activities.

Cybersecurity and data protection

Given the rapidly evolving cybersecurity risks, and to support Petrofac's wider digitalisation initiatives, cybersecurity and data protection continued to be areas of focus. We have adopted a defence-in-depth approach to cybersecurity drawing on multiple layers of security controls to protect our assets. Increasingly, our cybersecurity disciplines and protections are audited by clients and regulatory bodies, and in all cases, we have met or exceeded their requirements.

During 2023, a focus was to embed a culture of continuous improvement in our cybersecurity practices and protections. Recognising the significance of cloud security, we implemented further measures to fortify our cloud infrastructure, including strengthening various controls and conducting regular security assessments to identify and address any vulnerabilities.

In January 2024, Petrofac received ISO 27001:2022 accreditation, demonstrating our commitment to information security management practices that align fully with industry standards.

Related initiatives included:

- Extending and enhancing our internal awareness programmes, drawing attention to potential threats and how best to thwart them
- Adding artificial intelligence (AI) capabilities to our cybersecurity controls

Focus on health and wellbeing

Know your numbers

We ran a Know Your Numbers campaign which focused on awareness of major risk factors, such as blood sugar and cholesterol levels.

- Continuing to run regular vulnerability assessments, penetration tests and Red Team exercises
- Cybersecurity also remains a key priority in all our digitalisation initiatives. We are committed to the continuous improvement of our security posture, and ensure that appropriate security protection is embedded from the initial idea and conceptual phases of every new initiative

Environmental, Social and Governance continued

Health, safety and security

Asset integrity: Gulf of Mexico

In the Gulf of Mexico, we increased the scope of an existing decommissioning project that was recently highlighted by the North Sea Transition Agency (NSTA) as an example of global best practice.

Asset integrity

At Petrofac, we generally work with high-hazard energy infrastructure, and many of our projects relate to mature asset management and decommissioning which tends to be intrinsically high-risk. Maintaining the right mindset, backed up by disciplined processes and controls, is therefore critical to our success – as well as the safety of our people and our clients.

In 2023, the Group was responsible for managing and ensuring the integrity of 17 operating assets as the Installation Operator, as well as 47 wells as the Well Operator.

During the year, our reputation for the safe and predictable management of high-hazard assets was reflected through the award of several significant new contracts: offshore of the Ivory Coast, we secured an integrated services contract for the Espoir Ivoirien FPSO vessel; in the UK North Sea, we will be working alongside Saipem on a major new decommissioning programme involving the removal of a 20,000 tonne topside; and, in the Gulf of Mexico, we increased the scope of an existing decommissioning project that was recently highlighted by the North Sea Transition Agency (NSTA) as an example of global best practice.

Reflecting on our 2023 performance

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

In 2023, we did have one HiPo, which took place at the Ain Tsila field in Algeria and involved a fractured pipe during a commissioning test. Given that this could have had escalating, process safety-related outcomes, a full investigation was initiated, and the lessons learned will be fed back into the wider Group in 2024.

Areas of focus during the year included the implementation of Process Safety Fundamentals, a set of principles developed by the International Association of Oil and Gas Producers (IOGP). We also began preparing for an intervention on the Process Safety Leadership Principles by the UK Offshore Major Accident Regulator which is due to take place in 2024.

Quality

An important part of the ethos at Petrofac is to ensure that we operate predictably and efficiently, and the energy facilities we design, build, and operate are inherently operable and safe, and they meet or exceed operational standards. A disciplined approach to quality and operational excellence is therefore embedded into the way we work.

Beyond compliance

Since it was first established in 1995, our robust Quality Management System and ISO9001 certification has helped us to build long-standing client relationships. It also reflects our ability to provide a quality of service that meets customer expectations as well as regulatory requirements and equips Petrofac to be a learning organisation that is committed to continuous improvement.

Refreshing our quality strategy

In 2023, we refreshed our quality strategy to focus more on systematic issue prevention, become even more effective on issue resolution at the times we encounter defects, and drive continuous improvement within our delivery. This is accompanied by a new range of key performance indicators (KPIs), comprised both leading and lagging indicators, accessible across the business in near real time.

Delivering a series of new initiatives

Based on the refreshed quality strategy, initiatives progressed in 2023 included:

- A new global management system (GMS) – a single, global platform to contain, integrate and streamline all processes and procedures was developed and rolled out
- A new quality incident system – a single, Company-wide digital platform to capture, manage, and analyse any quality incidents (non-conformance reports), was completed and launched
- A new lessons learned process and mechanism to capture and apply lessons learned across the Company was developed, ready for launch in 2024

Looking ahead to 2024

For 2024, the aim is to embed and benefit from the use of these new platforms, emphasising and enhancing our culture of continuous improvement. This means we are prioritising parts of the business where quality incidents have historically been most prevalent and costly. We will also enhance our approach to supplier and subcontractor management, so that quality can be replicated across the supply chain.

People

From a people perspective, 2023 was a busy year for Petrofac.

With the entire sector in an upcycle resulting in a very tight labour market, we had to work hard on two fronts. We needed to ensure that our people feel engaged and appreciated, and that they see clear opportunities for personal and career development; and, with several large contract awards and the Group gearing up for growth, we also needed to attract large numbers of qualified candidates to join Petrofac and integrate them into our teams.

With a concerted focus on talent acquisition, we identified and onboarded new people at the rate of around 250 a month, welcoming a total of 3,104 new employees to Petrofac.

Attrition levels fell from 14.3% in 2022 to 11.5% in 2023. Overall, employment levels increased by 677 to reach 8,600, representing an 8.5% increase on 2022.

Gearing up for growth

One of Petrofac's key strategic themes is selective and measured growth and, given the contract awards announced throughout 2023, we introduced several new talent acquisition initiatives, such as:

- **Focusing on talent acquisition**
  In 2022, we appointed our first Global Head of Talent Acquisition and had begun to make good progress with improving the candidate experience, enhancing the employee value proposition, improving our recruitment-related social media activity, and nurturing our employment brand. This work continued in 2023, putting us in a strong position and helping us to identify, select, onboard, and integrate new employees in sufficient numbers.
- **Building and benefiting from a strong and engaging online presence**
  Online channels play a critical role in talent acquisition. Our Petrofac LinkedIn profile, with 1.2 million followers, is one of the most effective in the industry and helps us to maximise our opportunity. Also, all open positions are listed on our careers portal on petrofac.com/careers plus our internal jobs board encouraging movement of people internally. These channels help us demonstrate that, besides offering rewarding work and good career prospects, Petrofac is a people-based business that cares deeply about personal and professional development, has a culture that embraces diversity, and is a leader in safeguarding the safety and wellbeing of our people.
- **Reflecting the communities in which we operate**
  An important Petrofac characteristic is our local delivery model. We want our teams to be representative of the communities in which we operate, and the recruitment of local nationals continued to be an important theme of our recruitment activity. For example, we hired around 110 Emiratis and 27 Omanis, as well as several local team members to support our operations in Algeria, Libya, Lithuania, and Thailand.
- **Supporting our entry into new geographies**
  An important strategic theme for Petrofac is the judicious entry into geographies where key clients are present, or where we believe we can deliver safely and consistently. To this end, we have been establishing a presence in countries such as Ghana, Indonesia, and Ivory Coast. As well providing more international career opportunities for existing employees, we recruited several local nationals.
- **Attracting and developing the next generation of engineers**
  Creating a new generation of talent is another priority for the Group, and we have active graduate schemes in several countries. For example, in India, we received over 4,000 applications for 60 graduate positions, while in the UK we recruited 14 newly qualified engineers, half of whom are women. These schemes will be scaled up in 2024 when we expect to recruit around 150 graduates and, in preparation, we appointed our first Global Graduate Recruitment Manager.
- **Benefiting from efficient and consistent onboarding processes**
  In recent years, we made significant changes to our global human resources operations, including investments in cloud-based systems and the creation of a single, centralised back-office team in Chennai, India. This helped us to manage the increase in talent acquisition activity. Our teams were able to review applications at the rate of 500-per-day, process job offers at the rate of 250-per-month, and ensure that, from day one, all new employees are issued with online accounts, computers and passes.

Next generation of engineers
Indian graduates

Our offices in Mumbai and Chennai welcomed 71 engineering graduates across disciplines, including mechanical, process, electrical, civil, instrumentation and telecom and piping.

- **Integrating new employees into the workforce**
  An important Petrofac characteristic is our distinctive, client-centric culture, and an important dimension of our talent acquisition activity is the onboarding and integration of new employees. Together with in-depth induction training, we worked hard to ensure that new employees feel welcome and valued and understand what is expected of them. For example, we focused on buddy systems, which pair new recruits with well established employees.

Environmental, Social and Governance continued

Developing our people
Petrofac Academy

We reopened our Petrofac Academy learning facility in the UAE, providing training and development opportunities for employees across the Company.

Gearing up for growth continued

- **Understanding and addressing challenges faced by new employees**
  While employees typically remain with us for many years, we recognise that a number choose to leave us within their first 12 months. To understand why, we put a focus on exit interviews, made further improvements to the onboarding experience, and provided additional guidance for line managers.

Continuing to make progress on diversity and inclusion

In 2023, we continued our focus on diversity and inclusion, building on past achievements and introducing new initiatives. Although we have a long way to go, we are committed to being a more diverse company, which embraces differing perspectives, is representative of the communities in which we operate, and provides equal opportunities to all employees and job applicants.

Key developments and achievements include:

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

  One focus is our senior management positions. In 2023, women accounted for 30.5% of our senior managers, up from 6% in 2018. We exceeded our target of 30% by the end of 2025, two years ahead of schedule.

  As well as building diversity from within, we mandate that at least one woman is included on the final interview shortlist for all external recruitment into middle and senior management roles. Since 2020, the proportion of women recruited externally into senior management roles has increased from 6% to 23% in 2023.

  As a result, we were able to appoint several highly qualified women to executive senior-level positions in 2023, such as our new Group General Counsel, and the Head of our Engineering Centre in Chennai.

  Across the Company as a whole, the proportion of women employees increased from 8% in 2018 to 17% by the close of 2023 – which is a big move in the right direction.

- **Giving voice to diverse viewpoints**
  To ensure that the Company hears and engages with a wider spectrum of viewpoints, we have several global Employee Network Groups. Since 2021, we have established four groups representing women, LGBTQ+ colleagues, young professionals and older employees. Our Employee Network Groups are thriving, and they support over 1,100 employees. The aim is to provide safe spaces where people can network, problem-solve and mentor each other.

  In 2023, we received a commendation in the 'People and Culture' category at the Scottish Renewables' Net-Zero Energy Transition awards, acknowledging the success of our Employee Network Groups.

- **Putting even more emphasis on Emiratisation**
  Active in the United Arab Emirates (UAE) for 30 years, Petrofac has major centres in Abu Dhabi and Sharjah which, together, are home to around 3,000 people. In line with our local delivery ethos, and the UAE Government's Emiratisation agenda, we are keen to employ more local nationals at every level of the organisation. However, with Emiratis making up just 10% of the total UAE population and occupying 1% of its private sector jobs, this can be a challenge. However, we made great progress in 2023, hiring 110 Emiratis and closing the year with 164 Emirati employees.

Investing in training and development

We continued to enhance our training and professional development programmes, including our early career education initiatives, our Leadership Pathway programmes, and we reopened the Petrofac Academy learning facility in Sharjah, UAE.

Highlights of the year included:

- **Stepping up our Leadership Pathway programmes**
  To support the anticipated growth across the Group, we stepped up our Leadership Pathway programmes, which provide training and development opportunities to junior, middle and senior managers. During the year, more than 300 three-to-five day training modules were completed, with a further 700 scheduled for 2024.
- **Introducing a new Project Management Pathways programme**
  One of our main strategic themes in Petrofac is to deliver to a consistent standard. With several major new projects coming on stream, we introduced a new Project Management Pathways programme. Around 500 people will be participating in the first phase of this structured 18-month programme of practical, face-to-face and online learning.
- **Assessing and enhancing the leadership skills of our top 150 managers**
  To help them lead their teams effectively, we conducted a 360-degree feedback process for our top 150 managers. By identifying individual leadership development needs and opportunities, we were able to recommend a personalised training programme for all of them.
- **Providing access to LinkedIn Learning for all employees**
  To give employees the opportunity to pursue a wide range of online learning opportunities, free of charge, we paid for unlimited access to the LinkedIn Learning platform for all our employees. This platform includes more than 16,000 business, creative and technology courses and certifications.

Focusing on employee engagement

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

- **Maintaining an open, two-way conversation**
  One of the ways we engage with and hold conversations with our workforce is through our Petrofac Workforce Forum. Established in 2019, the Petrofac Workforce Forum builds on the framework set out in the UK Corporate Governance Code. Meeting with the Board and the Executive team twice a year, the Workforce Forum comprises 12 employee representatives from across the Group.

  The Workforce Forum enables the Board and the Executive team to understand the mood of the workforce, better understand their ideas, concerns, and perspective, plus ascertain what it is about Petrofac that motivates and engages them. Following Company-wide elections in 2022, the second term of the Forum commenced in 2023. It is seen as a successful initiative and has a high profile across the Group.
- **Keeping track of attitudes and opinions**
  Each year we ask our employees to participate in our confidential employee engagement survey, run by an independent third party (Willis Towers Watson).

  In 2023, the participation rate increased to 77%, its highest ever level and a 10-percentage point increase on 2022. The Sustainable Engagement score increased to our highest ever score of 88%, up from 86% in 2022, and 79% of our employees said that Petrofac has improved as an employer, up by 8% from 2022. In fact, the scores for all ten main categories improved year-on-year.

Recognising and rewarding our people

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

Recent initiatives include the introduction of a new recognition scheme, total reward statements for employees, and reduced working hours in the UAE. In 2023, more than 1,000 employees received a monetary recognition reward, and around 1,000 were promoted to a new role with an improved package. Also, we made several incremental improvements to our rewards programme – such as the option for annual health and dental checks, the inclusion of dental and optical coverage in our healthcare benefits, and extended educational allowances for employees with school-age children in the UAE.

Community engagement

Making a positive contribution to our local communities

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

Stakeholder engagement is one of the pillars of our Petrofac Social Performance Framework, which consists of our Social Performance Standards and a set of guidelines that enable us to meet the commitments set out in our Code of Conduct, Environmental Policy and Diversity and Inclusion Policy.

The framework begins with social assessment, followed by community engagement, grievance management and social investment.

Reviewing our approach to social investment

For many years, we have had a formal social investment strategy and a set of guidelines to ensure our activities create value for both Petrofac and the recipients, are conducted in compliance with our Code of Conduct, and are subject to rigour and transparency. Under the terms of these guidelines, our social investment initiatives are aligned with three broad priorities:

- Promote STEM education and improve educational access and employability
- Contribute to community improvement, capacity building and disaster relief
- Support a just transition, as the energy sector evolves and reduces its carbon intensity

Any initiatives that we support are subject to formal due diligence and regular review process overseen by our compliance teams.

In 2023, following the strengthening of our sustainability team, we initiated a review of our approach to social investment. Our aim going forward is to progress from a series of individual initiatives to a more holistic, joined-up approach. The process is set to continue into 2024 and will involve engagement with local country and project teams, as well as an assessment of material, in-country priorities.

An indicative selection of our 2023 investments and initiatives

In addition to the dedicated Corporate and Social Responsibility representatives across our global operations, several of our employees – who are passionate about the environment and social issues – generously volunteer their time to help with our social investment activity.

Environmental, Social and Governance continued

Community engagement in Algeria
Training local workforces

Our state-of-the-art training facility in Hassi Massaoud equips trainees with life-changing technical and safety skills that ultimately lead to employment with us directly or through our subcontractors.

Some of the indicative initiatives from around the Petrofac Group in 2023 include:

- **Algeria – building strong community connections**
  Our teams in Algeria have developed strong connections with their local communities, helping marginalised groups, and improving access to education and employability.

  One of our key initiatives in the country is our support of the Chams Association, a not-for-profit organisation based in Algiers, which provides artistic, educational, and recreational workshops for young people with learning disabilities, mostly those with Autism Spectrum Disorder (ASD).

  In 2023, we provided support with funding, procuring, and providing musical instruments and equipment, enabling ongoing therapy, care and development.

  As in previous years, our Ain Tsila and Tinrhert project teams also collaborated with the local authorities to contribute towards Ramadan food parcels containing a range of staple food supplies for distribution to disadvantaged families in Ouargla and Illizi Wilaya.

  As we report on pages 63–64, a significant contribution to the local economy is the operation of our Hassi Massaoud Training Centre, and the work we do with the public authorities in Illizi and Ouargla to promote and deliver training opportunities to the local population. Trainees, who are provided with accommodation, food, personal protective equipment and a stipend to cover out-of-pocket expenses, are prioritised for employment with Petrofac and our subcontractors.

- **Australia – promoting diversity and wellbeing**
  With the scale of our Australian operations set to increase, we contributed to several community initiatives, with a joint emphasis on diversity and wellbeing. We participated in the Shooting Stars programme, and sponsored a young female from a remote community of Aboriginal Australian people to attend a senior leadership course in Perth, aimed at empowering young women to not only succeed in life, but also give back to their community. Other initiatives included a push-up challenge for suicide prevention, and the Movember men's health campaign.

- **India – enhancing employability and promoting environmental sustainability**
  There is a regulatory requirement for us to spend a proportion of our net profit in India on social investments, equating to an investment of approximately US$158,000 in 2023. To increase engagement with our own teams, we typically support programmes located locally to our operational bases in Mumbai and Chennai, and activity is coordinated by the respective social responsibility representatives.

  In 2023, we continued to work with local charities and contributed to several projects which provide support to schools for blind children, orphaned children, and those from underprivileged families. This included the building of several new classrooms, providing library facilities and furniture, new drinking water systems, and other such upgrades.

  Another notable initiative was the sponsoring of 40 young women from underprivileged backgrounds on a formal year-long Manufacturing Technician programme to improve their employability and earning potential.

  Other initiatives included support for a range of environmental causes, including a forest plantation and maintenance project, installation of composting facilities at local schools, and restoration of a village pond and surrounding watercourses.

- **UK – demonstrating our commitment to equity and opportunity**
  Several of our UK community engagement initiatives demonstrated our commitment to equity and opportunity for people from disadvantaged backgrounds. In Aberdeen, we delivered an outreach programme with Camphill School for vulnerable children and young people with learning disabilities.

Community engagement in India
Urban dense forest

With support from NGO partner ExNoRa International, we educated and engaged with students on the importance of environmental conservation while planting over 5,500 tree saplings in four remote schools in Tamil Nadu.

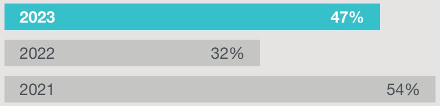
  We also formed a partnership with the STEM Returners organisation to help engineers get back into STEM-related work following a career break – and ultimately recruited five candidates into full-time positions.

Often, our community engagement programmes complement and supplement our wider environmental initiatives (see page 42) and our in-country value (ICV) programmes (see pages 63–64).

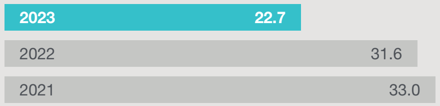
In-country value

% Spend on local goods and services

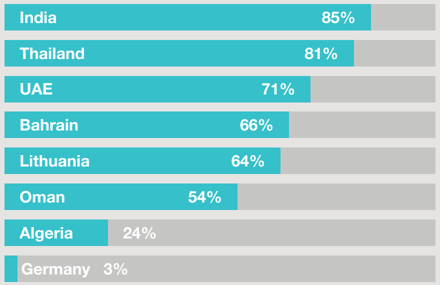
47% (US$764m)



Key project jobs ('000)



Project spend on materials and services



Generating economic value in-country

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

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

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

Pursuing a formal ICV delivery strategy

The creation of ICV has always been a hallmark of our approach. We continued to enhance and extend our commitment with a formal ICV strategy based on four levers:

- **Employing and developing a world-class national workforce** – strengthening our local teams, making them more representative of communities they work in, and enhancing our in-country delivery capabilities
- **Building the capacity and technical capability of local suppliers** – understanding the capabilities of local supply chains, supporting skills development, and promoting technology transfers
- **Sourcing goods and services locally** – reducing our reliance on international supply chains, matching local suppliers with project opportunities, and improving our efficiencies
- **Investing in our local presence and host communities** – ensuring that our community engagement initiatives support our local operations, and are closely aligned with our strategic priorities (see pages 10–11)

In addition, our E&C business initiated a new change management programme. In this, ICV is identified as one of the pillars to increase our competitive differentiation, by enhancing our economic contribution, supporting the economic goals of the countries where we operate, and maintaining our social licence to operate. Focus areas include:

- Reviewing our ICV strategy, including the definition of additional key performance indicators and setting new goals in partnership with the respective in-country management teams
- Expanding the number of ICV-compliant vendors in each country
- Increasing the number of local nationals to meet project-specific needs
- Securing annual ICV certification for operations in key countries

Supporting local economies

In 2023, we purchased around US$764 million worth of goods and services locally, and supported over 22,700 jobs related to our major non-joint venture projects (as listed on page 81).

The proportion of locally sourced goods and services increased to 47% in 2023, up from 32% in 2022. This reflects our continued work to source more local goods and services along with our initiatives to build the capability of our supply chain and invest in our local presence.

Indicative examples from across our operations include:

Algeria

One of the ways we contribute to local economies is by helping to build capacity and improve skills. In Algeria, our state-of-the-art training facility in Hassi Messaoud, located close to several high-profile projects, equips trainees with life-changing technical and safety skills that ultimately lead to employment with us directly or through our subcontract workforce. The training centre boasts air-conditioned classrooms and modern workshops, and offers five specialist areas, including instrumentation, electrical, mechanical, pipework, and welding. Since its inception in 2010, more than 1,300 Algerian nationals have benefited, with 400 trainees graduating in 2023 alone.

In 2023, partnership agreements were renewed with the Vocational Training and Education and Labour Departments in three municipalities (Illizi, Ouargla and Oran) to recruit and upskill local trainees. The renewal of this strategic collaboration, which was temporarily halted during the pandemic, reflects our commitment to investing in Algeria's workforce and supporting nationalisation in the south of Algeria by recruiting and upskilling the next generation of energy professionals.

We also progressed a Partnership with Algerian Petroleum Institute (Institut Algerien de Petrol). With preparatory work underway, several new initiatives are due to be rolled out in 2024, including the upgrade of the Arzew fire training centre by Petrofac, the introduction of a new competence management system, the implementation of a range of new e-learning courses, and the delivery of a series of Energy Transition training sessions.

Environmental, Social and Governance continued

Algeria continued

In 2023, on average, national hires represented 65% of our in-country workforce across our Algerian projects and operations, while the proportion of subcontracts sourced from local companies stands at 87%.

Lithuania

For the Orlen project, where we have adopted the slogan 'Built by Lithuanians', all major contracts have been awarded to local suppliers, and in-country sourcing accounts for around 85% of our total spend.

In addition, our Lithuania team hosted a 2023 Contractor Safety Forum to help drive a strong local safety performance and increase collaboration among all stakeholders. This became a major step in engaging with local companies, building capacity, and agreeing minimum safety standards. Colleagues from our local office, project sites and the global leadership team were joined by representatives from subcontractors, local government, and our client, who discussed and shared best practices.

We also increased our engagement with local government, discussing community needs and agreeing on how best to collaborate with and contribute to the Mazeikiai city community. As an outcome, we supported the local basketball team, which represents the city in the highest basketball league in Lithuania. This contribution helped the team reach the mandatory financial threshold and provided funds for the renovation of the old arena in Mazeikiai, which will become a multi-purpose facility for children to practice sports and local community events.

Plans for 2024 include local clean-up campaigns, and helping the city to improve the quality of outdoor spaces, such as community parks and riverside walks.

UAE

Our Sharjah base is home to 1,450 employees and a significant part of our heritage. The office continues to serve as an operational hub for many of our projects, and we routinely source goods and services in the UAE for our projects in the country, as well as abroad.

In 2023, we further increased our Emirati headcount to about 160 – representing 9% of our UAE workforce 77% of whom are female. We expect the trend to continue into 2024 as we progress with our projects on the Estedama and Habshan CCUS projects.

Since its launch in 2018, we have participated in the ICV Certification programme run by Abu Dhabi National Oil Company (ADNOC) to quantify the contribution of goods and services produced by businesses within the UAE, as well as local investment and employment. This certification emphasises our commitment to the expansion and development of the UAE economy.

Across the UAE, we are also active in supporting vocational skills training. In 2023, we signed a memorandum of understanding (MOU) with the Emirates National Oil Company (ENOC) Group to support its Technical Training Development Programme, a strategic initiative to bridge industry skills gaps and develop the next generation of energy professionals.

Another in-country highlight is our long-standing relationship with the American University of Sharjah (AUS). In 2023, the university presented us with its Leader of Excellence award recognising the many ways we support its advancement. We were also awarded the Employer of Choice award, reflecting the achievements of AUS Alumni at Petrofac, along with the many capacity-building opportunities we provide for young talent across our engineering disciplines and wider functions. We continued to support the university, participating in initiatives such as the AUS Environmental Day, the College of Engineering Senior Design Projects Competition, the Institute of Electrical and Electronics Engineers (IEEE) UAE Student Day, and the annual Alumni Association event.

Making a significant contribution to public finances

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

The total amount paid to governments in 2023 was US$149 million, comprising corporate income tax, employment taxes, and other forms of tax and social security contributions.

Creating value in Lithuania
Built by Lithuanians

For the Orlen project, where we have adopted the slogan 'Built by Lithuanians', all major contracts have been awarded to local suppliers, and in-country sourcing accounts for around 85% of our total spend.

Human Rights

Respecting human rights across our supply chain

We strive to protect and respect human rights throughout our business operations and extended supply chain.

Our commitments are set out in our Code of Conduct, and we work in accordance with our Social Performance Framework, the UN Guiding Principles on Business and Human Rights, and the Fundamental Conventions of the International Labour Organization. We are also proud of our long-term commitment to the United Nations Global Compact and disclose annually our progress against its Ten Principles.

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

In 2023, we initiated the updates to our Labour Rights Standard and Social Performance Standard and associated guidelines to include enhanced implementation and monitoring processes, guidelines, and tools. We also worked to increase engagement and awareness on the subject among employees responsible for social performance and grievance management and increased our support for subcontractor representatives to enhance their respective labour rights awareness, performance monitoring, and grievance management systems.

Evaluating our performance

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

Labour rights due diligence screening is an integral part of our approach to supply chain management. To prequalify as a Petrofac supplier, all companies must undergo mandatory human rights and labour rights due diligence screening, and are required to read and commit to Petrofac's Labour Rights Standard.

In addition, all prospective suppliers are screened for human rights issues using a cloud-based platform provided by Dow Jones, and clauses requiring compliance with Petrofac's Labour Rights Standard are included in all purchase orders and in the general terms and conditions of supplier contracts.

When identifying new suppliers, we promote early engagement and encourage them to undertake screening on registration, ahead of prequalification. In 2023, we enhanced the labour rights due diligence screening, and the number of new and existing suppliers within the E&C and Asset Solutions business units that were positively screened and approved reached 38% (2,401 out of 6,343), up from 36% (1,911 out of 5,349) in 2022.

We also review compliance with our standards through our audit, review, and inspection programmes. If any issues are identified, we work collaboratively with third parties to support improvement plans.

During the year, there were no incidents of modern slavery or human rights violations reported through our auditing or internal incident reporting mechanisms. However, we did become aware of some potential labour rights issues among our supply chain partners, primarily involving delayed salary payments and benefits, and the matters brought to light were proactively addressed. In all instances, we mediated between our supply chain partners to facilitate solutions, monitoring the situation until it was resolved.

Conducting in-depth audits

We conduct periodic in-depth human rights audits of our EPC project sites to assess worker welfare conditions and identify any labour rights concerns. Carried out as part of our business assurance programme of HSEQ audits and conducted by the corporate sustainability team, these include:

- **Inspecting accommodation** – we visit accommodation camps to check that all workers (who are typically employed by subcontractors) have dignified living, sleeping, leisure, and sanitation facilities. If we have concerns, we follow-up with the subcontractors, and raise action-trackers until they are resolved.
- **Interviewing workers** – interviews are conducted on a random basis, covering the entire spectrum of the workforce, to assess and ensure that welfare and human rights are being respected. Any findings or grievances are investigated, and we work collaboratively with our subcontractors to resolve them.
- **Assessing the impact on local communities** – we aim to understand the impact that our operations may have on local communities, including noise and nuisance and the influx of workers. Regular community engagement is established with Community Liaison Officers and community representatives. Any grievances are investigated, and we work with the relevant parties to resolve them.

In 2023, these audits revealed a lack of consistency in the way human rights issues are perceived and lower than expected levels of awareness among some onsite teams, and recommendations were provided to the respective leadership teams.

Maintaining project grievance processes

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

Giving a voice to workers

In order that all onsite workers feel comfortable with raising formal grievances, we continued to elevate the role of project Worker Welfare Committees. The committees represent an important component of our commitment to labour rights and a vital communications channel with the wider workforce. We worked to ensure that regular meetings – at least monthly – are held, that workforce groups are fairly represented, and an effective dialogue is maintained between all parties. Also, regular townhall sessions are conducted by site project management teams to engage with the wider workforce.

Environmental, Social and Governance continued

Why this is important to our business model and strategy

governance

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

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

We therefore recognise the responsibility and opportunity we have to enable and embody ethical behaviours. We take this commitment seriously and continue to invest in our people and processes to ensure that we live up to it.

Links to the SDGs

5 GENDER EQUALITY

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Highlights

Speak Up reports continue to indicate a more transparent Speak Up culture, in line with market practice.

98% of employees with line management responsibility completed mandatory Code of Conduct e-learning.

Our performance

Alleged breaches of the Code of Conduct reported via Speak Up

2023	111
2022	118
2021	125

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

2023	98.0%
2022	98.5%
2021	97.2%

Number of substantiated allegations

2023	29
2022	27
2021	39

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

2023	95.4%
2022	95.1%
2021	98.5%

Number of employees facing discipline or dismissal following substantiated allegations

2023	25
2022	33
2021	41

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

2023	1,209
2022	752
2021	1,449

Environmental, Social and Governance continued

Ethical behaviour and compliance

Over recent years, we have put significant effort into reinforcing the importance of ethical behaviour to our people and have invested considerably in our related teams, systems and processes.

We operate a three lines of defence structure – comprising rigorous management, strong governance, and independent assurance. This ensures that ethical behaviour and compliance are topics which receive consistent attention, enhancement and continual improvement.

Our approach to compliance is also backed by an unequivocal Code of Conduct and clearly codified behaviours and values, and its importance to Petrofac is demonstrated by the frequent delivery of clear and consistent messages from all tiers of leadership.

To help us monitor our performance and scrutinise our approach, we retain the services of specialist legal and compliance advisers to act as a key part of our assurance processes.

Ensuring our approach is efficient, effective and proportionate

In 2023 we conducted a detailed review of our compliance regime to ensure that it remains efficient, effective and proportionate. We scrutinised related policies, controls and procedures, and made a number of refinements which are due to be rolled out in 2024. We also began the process of certifying our systems and processes against ISO 37001 (Anti-Bribery Management Systems).

Continuing to embed a compliance ethos across the Group

To ensure that everyone who works with and for Petrofac is aware of our Code of Conduct, we continued with our ongoing training and communications programmes.

Everyone at middle management levels and below is required to complete a Code of Conduct e-learning module annually. We also distribute a quarterly Lessons Learned bulletin to all employees, drawing on reported breaches of our Code of Conduct, how they have been addressed, and guidelines for how to behave in challenging or ambiguous situations. Meanwhile, to complement the communications and frequent messaging from the senior leadership, we continued to focus on fostering more openness among middle managers and their direct reports, especially those working in higher-risk roles and locations.

In previous years, all employees were expected to complete an annual declaration confirming their compliance with the Code of Conduct. To enhance our approach, we decided to migrate to a more active and engaging process, involving a Code of Conduct refresher module, scheduled for launch in early 2024.

Three lines of defence

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

Encouraging more people to Speak Up

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

The ongoing priority is to encourage more open reporting of any suspected breaches of the Code of Conduct. This entailed ongoing training, again targeting middle-level managers, to promote a strong and healthy Speak Up culture, reinforced by a top-down cascade to all employees on the importance of speaking up. Our compliance teams also visited Petrofac offices in Mumbai, Kuala Lumpur, Aberdeen and Lithuania to deliver town hall sessions, provide face-to-face training, engage with the leadership, and encourage open conversations about risks, ambiguities, and raising concerns.

Continuing to focus our investigations function

We see the investigations function as a critical part of our compliance programme. Whenever concerns are reported, we respond to them promptly and investigate them objectively and independently. We therefore ensure that whoever reports a concern is kept abreast of the outcome and that recommended actions are implemented in a timely manner.

We also regard an investigation as an opportunity to engage in a dialogue with everyone involved. In this way, we are able to equip line managers with the tools they need to identify high-risk situations, and ensure that their teams remain mindful of the related sections of the Code of Conduct.

The investigations function is monitored against several key metrics – including the time-to-close of each case.

Enhancing our due diligence processes and controls

Through our due diligence processes, we want to be sure that suppliers and prospective suppliers understand and abide by our expectations, including our Code of Conduct.

Equipped with a new cloud-based due diligence platform, operated by Dow Jones, we conduct real-time monitoring of all registered suppliers and can respond immediately to any concerns flagged by the platform. As well as mitigating counterparty risks, this helps us to extend our local delivery model, by identifying locally based suppliers, and supporting their onboarding.

As part of the review of our wider compliance regime, we looked to improve the due diligence experience for our own teams and for suppliers by simplifying and rationalising the questionnaires we use, and setting a target of five working days for all reviews.

Adapting to the new geopolitical environment

Given the challenging geopolitical environment, our compliance teams ensured that Petrofac complied with the rapidly evolving sanctions and related regulations.

Continuing priorities for 2024

For 2024, the priority is to build on recent achievements and continue to nurture a culture of openness and transparency. We need the compliance team to be integrated closely into the way the business works, for our delivery teams to view them as trusted advisors, and for all related processes to be user-friendly as well as effective.

We will also need to be reassured that all our people feel comfortable discussing our Code of Conduct, and all tiers of management understand the right ways to engage in these discussions and, where appropriate, to escalate the outcomes.

Tax transparency

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

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

The total amount that we pay in taxes is not limited to the corporate income tax disclosed within the financial statements. It also includes employee and employer taxes and social security payments, VAT and sales taxes, and other taxes such as withholding, property and other indirect taxes. The total amount paid by Petrofac to governments worldwide includes those taxes which are borne by Petrofac, as well as taxes collected by Petrofac, but which are recoverable from tax authorities or clients and suppliers.

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

Risk management

We operate in challenging environments and understand that risks are an inherent part of our business. Identifying and managing risks and opportunities is key to the successful delivery of our strategy.

Our industry knowledge and insight, coupled with the right set of tools and processes, help us understand the factors that lead to risk, and enable us to manage them effectively.

Risk governance framework

Board
- Sets risk appetite
- Approves principal risks
- Reviews and approves significant opportunities

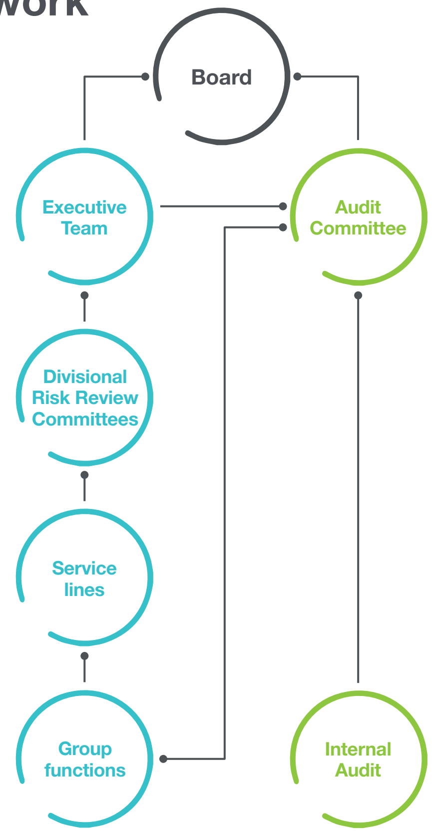
Audit Committee
- Reviews principal risks, emerging risks and risk appetite
- Provides assurance on risk management and internal controls framework

Executive Team
- Oversight of the Enterprise Risk Management Framework, including the principal and emerging risks and risk appetite
- Reviews and recommends significant opportunities

Divisional Risk Review Committees
- Divisional management oversight and review of opportunities

Service lines
- Risk management is embedded within each service line

Group functions
- Assurance to management, the Audit Committee and the Board



Our risk management framework provides us with a consistent approach to identify, manage and oversee the risks that may impact our business and is designed to underpin the Group's longer-term sustainability. Based on the principles and guidelines of BS ISO 31000:2018 Risk Management, our framework encompasses the policies, standards, procedures, culture, behaviours, organisational design, systems and other aspects of the Group that, taken together, enable Petrofac to operate effectively and efficiently.

Governing our risk management framework

Petrofac's system of risk governance comprises several committees and management processes that bring together reports on the management of risk at various levels.

The Board has overall responsibility for risk management, which includes establishing the Group's risk appetite and its enterprise risk arrangements, and ensuring we have an effective risk management framework in place.

The Audit Committee has been delegated the responsibility of monitoring and reviewing the integrity and effectiveness of the Group's overall risk management and internal control systems. The Audit Committee primarily, but not solely, uses the processes and reports outlined below for evaluating the Group's risk management and internal control activities:

- **Principal Risk Report** identifies and assesses the principal risks and emerging risks facing the Group, outlines how these are managed, reviews the effectiveness of relevant controls and monitors exposures with respect to our risk appetite. Coupled with updates from the Group Chief Executive, Chief Financial Officer and the Group Risk Team, this report is submitted quarterly and is considered at both Committee and Board level throughout the year. A summary of this Report is provided on pages 72 to 77.
- **Management Reports** for various principal risks are submitted, either to the Board or to one of its Committees whose area of expertise best aligns with the risk area under consideration. The goal is to enhance the level of oversight for each principal risk. The relevant Committee is responsible for reviewing the status of each principal risk, seeking information on controls and processes and considering mitigation and management strategies. Following its review, each Committee provides feedback to the Audit Committee and to the Board for discussion and recommendations.
- **Control Self-Assessment** certificates are a way for management to review and maintain adequate internal controls. These certificates are completed by each function and business unit to check and assure the adequacy of controls and disclose any reportable weaknesses in the control environment. They are consolidated to confirm the extent to which the internal controls have operated effectively throughout the year. Further reviews are performed by the Internal Audit team, and the Audit Committee receives regular updates from the Head of Internal Audit on the effectiveness of the internal controls.

In addition to these activities, reports are submitted to the Audit Committee by our internal and external auditors. In reviewing each of the submitted reports, the Committee considers:

- How effectively risks have been identified
- How they have been mitigated and managed

- Whether appropriate and prompt action is being taken to remedy any failings or weaknesses
- Whether the cause of the failing or weakness was the consequence of poor decision making, a need for more extensive monitoring, or a reassessment of process effectiveness

These considerations are intended to provide the Audit Committee with a balanced assessment of the Group's principal risks and the effectiveness of the systems of internal controls. During 2023, the responsibilities of the Group Risk Committee were transferred to the Group Executive Committee to help streamline risk governance. This alignment ensured a leaner, more efficient governance structure, with more effective and productive use of senior management time.

The Group Executive Committee is therefore responsible for the effective operation and oversight of the risk management framework, as agreed by the Board, including the review of Group policies and the management of the Group's Delegated Authorities.

The Group Executive Committee meets regularly to discuss safety, compliance, operational, commercial and financial matters, with changes in risks and opportunities being identified and addressed as appropriate.

The diagram on page 70 sets out the risk governance framework, showing the interaction between the various risk review and management committees.

Identifying and managing our risks

The Group's divisions and functions conduct regular risk assessments and the risk information from these is consolidated into our principal risks. Emerging risks are identified as part of the business planning cycle, with a view to considering those risks that may have a material impact beyond the planning horizon.

The list of principal and emerging risks is reviewed by the Group Executive Committee, endorsed by the Audit Committee and approved by the Board. Once approved, each principal risk is categorised and assigned to an executive owner, who is accountable for coordinating the risk assessment, reviewing the adequacy of relevant internal controls, establishing a response plan and reporting.

Depending on the category of the risk, the Assurance team may be engaged to devise and support an effective assurance programme. The Board may also appoint a relevant Committee to enhance the level of oversight.

We assess the materiality of each principal risk and aim to contain them within the context of our risk appetite framework. Our risk appetite statements are established in three layers:

- The first layer aligns with Petrofac's vision, purpose, business model and strategy
- The second layer ties into the business plan through overall risk indicators
- The third layer operationalises the previous layers through specific statements and indicators relevant to each of our principal risks

The Board and the Group Executive Committee jointly govern all significant new business opportunities and projects (including bid submissions, new country entries, joint ventures, investments, acquisitions and disposals) and provide direction as to the management and mitigation of any related risk exposures. Proposals are only presented to the Group Executive Committee after being reviewed and supported at divisional level. Based on the recommendations of the Group Executive Committee, the Board then has responsibility for approving or declining any high-risk opportunities.

Enhancing our risk management framework

In 2023, the business significantly strengthened the second line of defence controls with the introduction of an enhanced Assurance function. The new team was formed, alongside the appointment of a new Group Head of Assurance. The Assurance team have engaged with all key business stakeholders via a series of discovery sessions in order to complete a gap analysis in respect of operational risks and contract portfolio oversight.

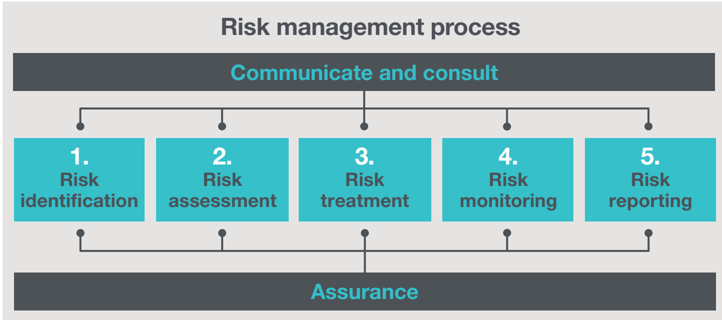
This review focused on enhancing existing controls and processes with further improvements to ensure the Group's overall governance framework was appropriate and effective. The newly enhanced Value Assurance Framework:

- Enables early identification of risks and mandates stakeholder involvement throughout the project lifecycle; and
- Provides an independent perspective on project and portfolio performance, instilling the Executive team with greater confidence regarding project health and business performance.

Progress was also achieved in integrating and enhancing the alignment of contract and portfolio level risk assessment procedures, via enhancements in the second line of defence controls and risk management assessments. We will continue to further develop these areas during 2024.

Integration with key business processes

- Delegated authorities
- Strategic planning/budgeting
- Treasury/financial planning
- Stage-gate reviews
- Project controls and management
- Procurement and vendor management
- Business continuity and crisis management



Alignment with assurance functions via principal risks

- Compliance
- Value assurance
- Financial control
- HSE
- Cybersecurity

Company values and culture

Enterprise Risk Management system (and other tools)

Leadership, communications and engagement

Principal risks and uncertainties

The Group's principal risks were reviewed and revised at the end of 2023, drawing on feedback from the business, Executive team and the Audit Committee.

During the year no new emerging principal risks were identified.

As of the start of 2024, the Group's current principal and emerging risks are outlined below:

Risk Category	Principal/Emerging Risk
Strategic Risks	Adverse geopolitical and macro-economic changes in key geographies
	Low order intake
	Failure to deliver strategic initiatives
	Failure to deliver energy transition strategy
Operational Risks	Operational and project performance
	Insufficient IT resilience
	HSE incidents
Financial Risks	Loss of financial capacity
	Misstatement of financial information
Legal & Compliance Risks	Breach of laws, regulations and ethical standards
People Risks	Inadequate leadership and talent management

Risk

Adverse geopolitical and macro-economic changes in key geographies

The impact of adverse geopolitical changes in our key geographies includes risks to the successful delivery of our strategy, our operations and associated impact on margins, the safety of our people, security issues, material logistics and travel restrictions. The Group's backlog is concentrated in emerging markets, which may increase our vulnerability to adverse geopolitical events.

Risk category: **Strategic**
Link to our strategy: **Maintain strength in our core**

Risk appetite

- We actively assess risks associated with geopolitical changes in our key geographies, and we have appetite for more risk in this area where we have the experience of managing it
- Where we operate in countries that have high or very high geopolitical risks, we actively monitor risks associated with geopolitical events and have plans in place to support the ongoing delivery, or suspension, of our business in each country

Risk appetite measures

- Cash flow exposed to geopolitical risk

Sub-risks

Sub-risks are specific to each country where we operate based on scenarios triggered by various threats such as:

- Political conflicts between countries
- Civil unrest
- Recession and fiscal stress
- Increased controls over trade and payments

For more information see | **Pages 10–19, 22–25**

Assessment

INCREASED
There was an increase in our risk profile. This was primarily driven by the October 2023 attacks in Israel and the subsequent conflict which triggered significant military activities in this region. Consequently, increased tension in the wider Middle East region has been observed and the risk of further escalation remains. Whilst the impact from the continued conflict between Russia and Ukraine has reduced and our exposure to these countries is very low, commodity escalation and new sanctions unsettled markets and created new compliance requirements for the Group.

Based on the above, it is possible in the coming months there could be some impact in the markets affecting commodity prices and logistical routes, which will need to be carefully monitored.

Mitigation and management

The Group Executive Committee and the Board actively monitor geopolitical developments and seek to avoid or minimise our exposure to jurisdictions with risk levels beyond our appetite. A detailed risk analysis is conducted before entering any new country and while pursuing and executing projects in new geographies.

We have good experience in project execution and maintain positive relationships with key stakeholders. Careful consideration is given to contractual terms and security conditions through our detailed risk review process, and we seek external advice on specialist issues as required.

The delivery model is modified to suit each project and we limit exposure to single sources of supply and service. We limit our fixed asset commitment within each contract and closely monitor and manage our cash flow and commitments.

Our Business Continuity Management System considers response to and recovery from geopolitical incidents. There is also continued focus on evacuation and emergency response. Our operations are assessed and executed in accordance with our Security Policy and Security Standards.

In 2023, we continued to evaluate any residual impact of the ongoing situation in Ukraine, and the new developments in the Middle East region. This involved keeping our people and operations safe, ensuring we remained compliant with sanctions, and carefully monitoring the global supply and logistics scenario.

Risk

Low order intake

The risk is that our clients exercise capital discipline, which impacts the demand for our services through the cancellation or delay of planned investments. The potential impact is that the Group could fail to deliver its anticipated backlog and growth targets.

The Group wins most of its work through a competitive bidding process, and as competition increases, there is a risk that we could fail to maintain differentiated margins.

Risk category: **Strategic**
Link to our strategy: **Maintain strength in our core**

Risk appetite

- We pursue opportunities consistent with our strategic focus and core competencies, and expect to secure a diversified portfolio in order to de-risk adverse events in our core markets
- We have appetite for more risk provided we review each opportunity, taking account of its respective risk profile and putting in place relevant controls to adequately mitigate risks to the planned execution strategy. We do not enter, or will exit, an opportunity, if we cannot ensure compliance with laws and regulations, execution quality or the safety and security of our people or reputation

Risk appetite measures

- Book-to-bill ratio

Sub-risks

- Oil and gas industry downturn
- Loss of key markets due to geopolitical/litigation/ budgetary concerns
- Increased competition in our core geographies/sectors
- Reduced bidding competitiveness
- Global events and subsequent impact on investments

For more information see | **Pages 10–19, 22–25**

Assessment

DECREASED
The decrease in the principal risk was due to the significant level of new contract wins secured in the year, including the first two contracts awarded under the six-project US$14 billion multi-year Framework Agreement with TenneT in support of their 2GW programme. In addition, the E&C division secured three major contracts with ADNOC in the UAE and Sonatrach in Algeria, and an additional contract in Lithuania with Orlen Group.

Furthermore, Asset Solutions secured a series of contract renewals and new work resulting in total annual book-to-bill of 1.1x in 2023. As a result, the Group's backlog increased to US$8.1 billion (2022: US$3.4 billion). Furthermore, the outlook remains positive, mainly driven by new investments being undertaken by customers in both the conventional energy and energy transition sectors, and good visibility of the pipeline for 2024 and beyond.

Mitigation and management

Our order intake is driven by our strategy, the development of which is overseen by the Board. Our service lines work together to identify, review and win opportunities. We regularly analyse our business development activities, bid-to-win ratios, and our competition.

In 2023, we continued to focus on addressing evolving client needs in areas such as increased in-country value and improved sustainability performance. We further enhanced our competencies in energy transition, securing contracts with key customers.

We see a healthy and diverse pipeline of bidding opportunities in the coming years across markets and geographies.

Risk

Failure to deliver strategic initiatives

Each of our strategic priorities is supported by various strategic initiatives that are overseen by senior management and the Board. To build enterprise value, we ensure each initiative is de-risked and respective success targets are met, assuring all stakeholders that we are pursuing an appropriate strategy capable of delivering shareholder value. The impact is reflected in the appetite from new investors and, consequently, the market valuation of the Group.

Risk category: **Strategic**
Link to our strategy: **Consistent delivery and Maintain strength in our core**

Risk appetite

- We have limited appetite for risks affecting our strategic initiatives, although we recognise that the delivery of these is also a function of market dynamics. We identify and adequately mitigate the risks to each initiative, having some appetite to be flexible over the timing of their delivery

Risk appetite measures

- Initiative impact (cost and value) and schedule targets
- Initiative-specific success goals

Sub-risks

- Failure to maintain cost competitiveness
- Failure to deliver functional excellence
- Failure to rebuild backlog
- Failure to deliver client-centricity strategy

For more information see | **Pages 6–7, 10–25**

Assessment

NO CHANGE
We made progress across all our strategic initiatives, and the risk remained stable during 2023.

Mitigation and management

Each strategic initiative is governed by a stage-gate process and overseen by the Group Executive Committee. The Board regularly assesses our strategic initiatives and overall strategic plan to satisfy itself that the right balance of risk, capability, and reward is maintained. We conduct detailed sensitivity analysis to assess the robustness of our plans.

The Group Executive Committee reviews all material new business opportunities and projects, new country entries, joint ventures, investments, acquisitions and disposals.

In a challenging environment, we continued to deliver our key strategic initiatives in 2023.

Key achievements for the year included:

- Rebuilt a large, high-quality order backlog
- Good progress in completing legacy contracts and resolving open contractual discussions
- Adjusted the operating model and made key strategic hires to ensure appropriate leadership support and project governance

Principal risks and uncertainties continued

Risk

Failure to deliver energy transition strategy

Due to climate change and the energy transition, our markets are changing, and the portfolios of our clients are going through a major transformation. Our new energy transition delivery unit was established to respond to this change, and the Group has outlined a medium-term ambition for 20% of revenue to come from this sector. An inability to meet changing market needs will limit our future growth and would hinder our commitments with regards to our response to climate change.

Risk category: **Strategic**
Link to our strategy: **Consistent delivery and Maintain strength in our core**

Risk appetite

– We are willing to be exposed to more risk in the energy transition sectors, and recognise that lower margins are to be expected as we seek growth

Risk appetite measures

– Short and medium-term growth forecasts

Sub-risks

– Inability to secure strategic technical and delivery partnerships
– Adverse changes to/delays in implementation of government policies
– Client risk allocation requirements driven by funders' conditions (terms and conditions)
– Failures/resource constraints in our supply chain
– Failures in delivery and execution of energy transition projects

For more information see | **Pages 6–7, 14–15, 22–25**

Assessment

DECREASED
The risk decreased in 2023 due principally to the first two contracts secured (with a value of approximately US$2.8 billion) under the six-project US$14 billion multi-year TenneT Framework Agreement and the ADNOC Habshan CO_2 award. Also, good progress made in carbon capture sector with early engineering awards for CCS projects for offshore pipelines, cement and energy from waste emitters.

Mitigation and management

Petrofac's energy transition projects focus on five clearly defined segments of the market, namely offshore wind, CCUS, hydrogen, waste-to-value and emissions reductions where we have a strong track record and relevant experience. The growth will be facilitated by: partnering in relevant technologies and with established developers; monitoring relevant government policies; and supporting the energy transition delivery unit with technical expertise to successfully execute and deliver energy transition projects.

In 2023, we:

– Further developed our strategic partnership with Hitachi Energy in offshore wind, securing the first two contracts awarded under the six-project US$14 billion multi-year Framework Agreement with TenneT in support of their 2GW programme
– Successful in securing strategic early-stage contracts in HVAC offshore wind, CCS, hydrogen and waste-to-value sectors aligned to our energy transition strategy
– Engagement with European fabrication yards to explore potential partners to support future HVAC contracts and onshore modular energy transition projects
– Continued improvements in our ESG performance, as demonstrated by positive ESG ratings (e.g. AA rating from MSCI)

Risk

Operational and project performance

Our portfolio typically includes a relatively small number of high-value contracts, a larger number of lower-value contracts, and a sizeable oil and gas asset. Cost or schedule overruns on any of the high-value contracts, or operational issues affecting production within our key assets could negatively impact the Group's profitability, cash flow and relationships with key stakeholders.

Risk category: **Operational**
Link to our strategy: **Consistent delivery and Improved returns**

Risk appetite

– We have limited appetite for risks affecting execution of our portfolio. Portfolio margins will be maintained to support the delivery of our target total shareholder return relative to our global peers over the cycle

Risk appetite measures

– Division-level cash flow and EBIT

Sub-risks

– Project execution
– Operation of assets

For more information see | **Pages 6–7, 12–21, 78–85**

Assessment

INCREASED
Project and operational challenges continued during the year, as the small number of projects and the legacy portfolio continued to be executed and completed.

A difficult commercial environment resulted in write-downs of receivables and an increase in legacy project losses as a result of clients not fully reimbursing – or expected to reimburse – costs incurred or to be incurred on Covid-19 pandemic-affected projects (see Segmental Overview on pages 78–85).

Project delivery was also adversely impacted by the increased difficulty in securing project guarantees, with the tightening of the overall guarantee market also contributing to this increased challenge (see separate sub-risk within Loss of Financial Capacity on page 76).

Mitigation and management

Key risks to project delivery are initially identified at the tender stage, through the risk review process by relevant risk review committees and escalated to the Group Executive Committee or the Board, as required. On award, detailed execution strategies are further developed. During the execution phase, emerging risks and opportunities are managed through assurance, operational and project reviews. Lessons learned are cascaded through leadership lines and our quality initiatives are focused on a right-first-time approach.

In 2023, we continued to embed our technical support functions, ensuring the value assurance framework was integrated to govern all aspects of project delivery across our operations. We also engineered solutions to emerging production risks in IES, project recovery plans were maintained, and project delivery remained a significant area of focus for the Executive team and the Board throughout the year.

Insufficient IT resilience

Risk

The Group's performance is increasingly dependent on the ongoing capability and reliability of our IT platforms. We (as with all companies) continue to be exposed to external cybersecurity threats.

Risk category: **Operational**
Link to our strategy: **Consistent delivery**

Risk appetite

- We will manage our IT infrastructure to ensure the security of confidential information and the availability of our critical systems is not compromised
- We have some appetite for risks to our IT infrastructure and cybersecurity that do not impact services provided to our clients or deteriorate the effectiveness of key controls

Risk appetite measures

- Number of significant cyber incidents
- System resilience and access
- Removal of legacy systems

Sub-risks

- System breach due to malware attack
- Unavailability/loss of data due to inadequate response/recovery
- Cyber attacks
- Network unavailability due to end-of-life devices
- Compromise of user accounts through phishing and social engineering attacks
- System unavailability due to legacy and unsupported applications and server infrastructure
- Operational technology breach leading to operational disruption

For more information see | **Page 57**

Assessment

NO CHANGE
The risk remained stable during 2023.

Mitigation and management

We operate a Group-wide cybersecurity programme and have a cloud strategy to maintain a resilient IT platform.

In 2023, we continued to improve our IT resiliency through:

- The successful implementation and migration from an on-premises EBS system to a cloud-based Oracle ERP system for Asset Solutions and E&C
- Adding artificial intelligence (AI) capabilities to our cybersecurity controls
- Continuing to run regular vulnerability assessments, penetration tests and Red Team exercises

We continued to align our information security management practice with the ISO 27001 standard and other best practices.

In 2024 cybersecurity remains a key priority in all our digitalisation initiatives, and we will continue our journey of continuous improvement in cybersecurity practices and protections.

HSE incidents

Risk

There are several factors that could impact our ability to operate safely. These include safety and asset integrity risks and they extend to a range of environmental risks. The risk is the potential harm to our people, and the commercial and/or reputational damage that could be caused.

Risk category: **Operational**
Link to our strategy: **Consistent delivery**

Risk appetite

- We have no appetite for activities that do not meet our Horizon Zero vision

Risk appetite measures

- Number of projects/assets at risk
- Total recordable incident rate

Sub-risks

- Oil spills/gas leaks
- Integrity failure
- Loss of well control
- Driving accidents
- Fall from heights/lifting accidents/ accidents during commissioning
- Contractor/JV partner/client with inadequate HSE standards/controls
- Threats to security of our staff
- Threats to employee health and wellbeing

For more information see | **Pages 34–37, 56–58**

Assessment

NO CHANGE
Despite some high-potential incidents, including a fatality within our contracting community in the year, the risk remained stable in 2023 and was mitigated by the continued enhancement of our new HSE strategy implemented in 2022.

Mitigation and management

Safety is fundamentally important and intrinsic to Petrofac's behavioural DNA. It is governed largely by our operating framework, Group policies and systems that cover all elements of occupational health and safety, security, environmental and asset integrity programmes.

In 2023 we improved on an already strong HSE performance with further enhancements to the updated HSE strategy implemented in 2022. Key achievements for the year include:

- Increased focus on the Thai Oil Clean Fuels site where the fatality in our contractor community took place with leadership interventions and visits from senior management across all disciplines, increased HSE support at site delivering 'boot camp training onsite and in the classroom' and contractor interventions to support improvements
- Enhanced leadership visibility and oversight on site performance through site visits and safety scorecards
- Focus on driving safety in higher risk areas, embedding the use of the GreenRoad app which gives real-time performance feedback to the drivers and the transport manager
- Collaboration with contractors through annual performance reviews and rollout of Safety Hotspots at worksites to improve their respective safety performance
- Improved engagement with worksites and the use of digital technology, such as the Petrofac Go observation app, Journey Management Planning app and observation reporting tool

Details of our HSE strategy, 2023 initiatives and 2024 priorities are outlined on pages 56 and 58.

Principal risks and uncertainties continued

Risk

Loss of financial capacity

Failure to maintain adequate liquidity or provide guarantees to our customers could adversely affect our ability to deliver our strategy and may ultimately result in financial loss and/or ability to comply with our financial covenants.

Costs of debt may rise as a result of rating agency downgrades or reduced access to funding.

Access to funding is critical to our sustainability and future growth. Reduced access to funding could hamper the Group's growth and/or adversely affect the Group's financial performance.

Risk category: **Financial**
Link to our strategy: **Maintain strength in our core and Improved returns**

Risk appetite

- We have no appetite for a loss of financial capacity that results in a failure to meet our financial obligations as they fall due and remain solvent, or that impairs our ability to meet client requirements for guarantees
- We have limited appetite for financial risks that arise principally from market risk and credit risk

Risk appetite measures

- Liquidity
- Credit rating
- Unfunded facilities

Sub-risks

- Failure to maintain adequate liquidity
- Failure to provide guarantees

For more information see | **Pages 86–93**

Assessment

INCREASED
The risk was assessed to have increased during 2023, due to the significant difficulties in securing performance and advanced payment guarantees, which resulted in delays in collecting progress invoices and advances on certain E&C contracts, and therefore significantly impacted the Group's liquidity. These guarantees are critical to the continued going concern and viability of the business.

The Group received credit rating downgrades in late 2023 and 2024.

However positively, in late 2023 we secured performance guarantees (albeit with significant collateral) for two substantial E&C contracts awarded in 2023, which unlocks the release of milestone and progress payments on those contracts.

Mitigation and management

As a result of the difficulty in securing guarantees and the resulting liquidity pressures, the Board appointed Aidan de Brunner as a Non-executive Director and established a Special Committee in December 2023 (pages 110 to 111) to undertake a financial and strategic review of the Group, and is currently progressing a comprehensive Financial Restructure. This seeks to strengthen the Group's balance sheet, improve liquidity and secure performance and advance payment guarantees to support current and future workload.

The successful implementation of this restructure is of critical importance and further details are on pages 8 and 9.

The Group continues to carefully manage liquidity and its ongoing payment obligations and we ensure a minimum level of liquidity (as defined by bank debt facilities financial covenants) in the form of readily available cash, short-term investments, or committed credit facilities. To assist with this working capital management, we reduced cash held in joint ventures and in highly regulated jurisdictions during the year.

Debt, cash and liquidity balances are monitored on a daily basis. We typically prepare cash flow forecasts on a quarterly basis, aligned to our reforecast cycle, and rolling cash forecasts on a weekly basis to help manage liquidity and short-term forecasting.

Additionally, the Company's lending banks have agreed to a number of rolling short-term deferrals of contractual amortisation payments while the Company progresses the financial restructuring. The Company continues to engage with its lending banks on extending these deferrals as required.

Risk

Misstatement of financial information

We execute complex projects in a dynamic environment across various jurisdictions with numerous clients. Our business performance and financial results reflect our current assessment of assumptions and financial estimates, however actual outcomes may vary. These may negatively impact investor confidence.

Risk category: **Financial**
Link to our strategy: **Consistent delivery**

Risk appetite

- We have no appetite for reporting materially incorrect financial information

Risk appetite measures

- Assessment of effectiveness of financial controls
- Reporting errors/restatements

Sub-risks

- Inaccurate revenue recognition/cost forecasting
- Breakdown in transactional accounting controls
- Asset carrying amounts exceeding recoverable amounts
- Breakdown in system access controls
- Inaccurate financial consolidation and reporting
- Inaccurate corporate income tax reporting

For more information see | **Pages 94, 118–124**

Assessment

INCREASED
In 2023, control deficiencies within the business were identified, following another incident in 2022. Management performed additional assurance activities to satisfy itself that there were no other similar occurrences across the broader contract portfolio, including additional procedures performed by an independent third-party expert (see Audit Committee report on pages 115–124). Overall, the risk was assessed to have increased.

Mitigation and management

Our Financial Control Framework is designed so that adequate controls are identified, implemented and monitored throughout all our key financial activities. Adequacy of these controls is self-certified and reviewed by various assurance activities and overseen by the Audit Committee.

In 2023, we continued to improve our controls in this area with the ongoing implementation of a new Enterprise Resource Planning platform, which will be completed in 2024, in addition to a fully integrated centralised payment hub.

Furthermore, in response to the identified deficiencies in internal controls identified in the current and prior years, we continued to implement additional assurance activities. These included enhanced post balance sheet event reviews and specific verifications that contract revenue and cost forecasts, and consequently the financial statements, reflected the latest third-party advisor analysis where this had been provided and enhanced and increased post balance sheet enquiries. The Board and management are committed to identifying the root cause of such incidents and will oversee a programme of work to address any cultural, behavioural or organisational design issues that may have contributed to the incidents.

Risk

Breach of laws, regulations and ethical standards

Non-compliance with laws, regulations and ethical standards due to failures in our compliance controls or unethical behaviour, including but not limited to bribery, corruption, money laundering, trade sanctions and labour rights, may result in fines and/or adverse impact on our reputation.

Risk category: **Legal and compliance**
Link to our strategy: **Consistent delivery**

Risk appetite

- We have no appetite for non-compliance with laws and regulations
- We expect our direct and indirect staff and third parties to act according to the highest ethical standards and in line with our Code of Conduct

Risk appetite measures

- Third-party due diligence
- Employee completion of mandatory compliance training and annual declaration of compliance
- Investigations of Speak Up cases

Sub-risks

- Violation of laws and regulations, including: Foreign Corrupt Practices Act, UK Bribery Act, whistleblower protection, trade compliance, Modern Slavery Act, anti-money laundering and antitrust and competition

For more information see | **Pages 29, 34–37, 65–69, 125–126**

Assessment

INCREASED
The overall risk level was assessed to have increased in 2023, notwithstanding the changes and improvements implemented following the SFO investigation, which concluded in 2021.

Compliance breaches in respect of the financial statements and information management were identified during the year and are detailed in the Audit Committee report on pages 115 to 124.

Additionally, the Company appointed external advisors to undertake a thorough assurance review to check that the steps taken as part of the Group's exit from its Russian operations in 2022 and 2023 complied with sanctions imposed from the end of February 2022 onwards, following Russia's invasion of Ukraine, had been effective. Despite the compliance measures put in place by management, instances of administrative non-compliance were identified and have been assessed to give rise to a UK enforcement risk. These have been notified to the relevant authorities and appropriate financial provisions recorded.

The Company has, from time to time over the last four years, received correspondence from claimant law firms making reference to the possibility of civil claims in connection with the now concluded SFO investigation into the Group. Last year, four claimant groups, representing mostly former shareholders, commenced civil claims against the Company in the UK. The claimants seek damages under s90A of FSMA 2000, which concerns the making of allegedly false, misleading or delayed statements and/or material omissions in its public disclosures. It is possible that further claims could be made in the future.

The merits, likely outcome and potential impact on the Group of any such litigation is subject to a number of significant uncertainties (and the litigation is still in very early stages) and as such, the Group cannot make any reliable assessment of the likely outcome or quantum of any such litigation as at the date of this disclosure.

Mitigation and management

We operate a Group-level Compliance Programme overseen by the Compliance and Ethics Committee. We continued to enhance this programme during 2023, including:

- Streamlining the due diligence process to focus on the risk-based approach
- Enhancing the gifts, entertainment and hospitality platform to ensure effectiveness
- More focus on managing trade compliance matters and Speak Up investigations

Priorities for 2024 will clearly focus on the ethics breaches identified, and the Board and management are committed to identifying the root cause of such breaches, informed by the findings of the investigations, and will oversee a programme of work to address any cultural, behavioural or organisational design issues that may have contributed to the incidents.

Executive management has also communicated with the wider organisation about the incidents to reinforce core expectations in relation to culture and conduct.

Other priorities include digitalisation of compliance risk management processes, streamlining third-party screening risk management strategies, progressing the Company's ISO 37001 application and targeted training in support of new country entries. Further information on our compliance programme is provided on pages 66 to 69.

Risk

Inadequate leadership and talent management

Our operations are heavily dependent on our ability to attract, retain and lead the right level of skilled and experienced personnel. Failure to do so could negatively impact our distinctive, delivery-focused culture, and prevent us from maintaining our operational capability and positive relationships with clients.

Risk category: **People**
Link to our strategy: **Consistent delivery**

Risk appetite

- We take a balanced approach towards risks to establishing and maintaining a talented workforce within the context of prevailing job market economics
- Our leaders live our values and behaviours and operate as one team at all times

Risk appetite measures

- Employee morale and engagement
- Overall attrition rate
- Diversity and inclusion targets

Sub-risks

- Diversity and inclusion practices
- Leadership to live our values and behaviours
- Retain the capability necessary to deliver

For more information see | **Pages 28, 34–37, 59–65, 112–113**

Assessment

DECREASED
The risk has reduced during the year with a lower attrition rate and following the introduction of the new resourcing plan, we successfully hired approximately 3,000 new employees during the year, in addition to over 800 internal promotions, in response to the high level of new awards secured.

Mitigation and management

We remain confident that our policies to attract, retain, train, promote and reward our people are appropriate for the Group, and will enable us to meet our strategic goals.

In 2023, we leveraged our new resourcing plan to meet our future human capital requirements. These efforts were coupled with further improvements in our overall benefit structure and reward and remuneration initiatives. Pathway Programmes were relaunched and LinkedIn Learning successfully rolled out to all employees.

Segmental overview

Engineering & Construction

Group revenue contribution 2023

37%

Headcount at 31 December 2023

3,900

Asset Solutions

Group revenue contribution 2023

58%

Headcount at 31 December 2023

4,100

Integrated Energy Services

Group revenue contribution 2023

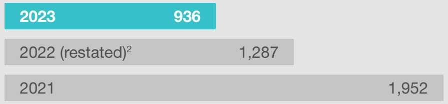
5%

Headcount at 31 December 2023

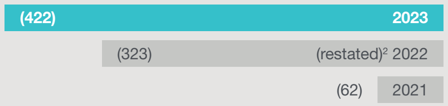
200

Engineering & Construction

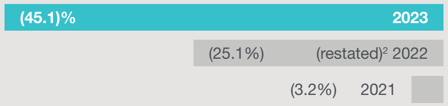
Revenue (US$ million)



Business performance EBIT[1] (US$ million)



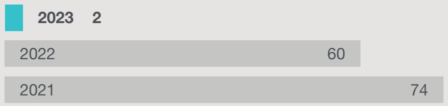
Business performance EBIT margin



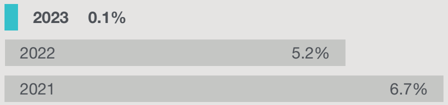
Asset Solutions

Revenue (US$ million)

Business performance EBIT[1] (US$ million)

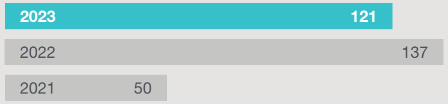


Business performance EBIT margin

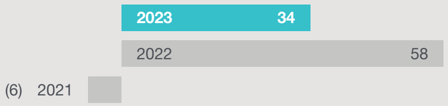


Integrated Energy Services

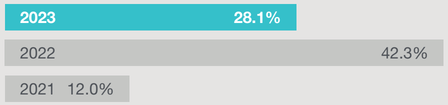
Revenue (US$ million)



Business performance EBIT[1] (US$ million)



Business performance EBIT margin



US$ million For the year ended 31 December	Revenue **2023**	 2022[2]	EBITDA[1] **2023**	 2022[2]	EBIT[1] **2023**	 2022[2]
Engineering & Construction	**936**	1,287	**(412)**	(311)	**(422)**	(323)
Asset Solutions	**1,446**	1,158	**13**	70	**2**	60
Integrated Energy Services	**121**	137	**90**	109	**34**	58
Corporate, others, consolidation adjustments and eliminations	**(7)**	(15)	**(1)**	(18)	**(7)**	(24)
Group	**2,496**	2,567	**(310)**	(150)	**(393)**	(229)

% For the year ended 31 December	Revenue growth **2023**	 2022[2]	EBITDA margin **2023**	 2022[2]	EBIT margin **2023**	 2022[2]
Engineering & Construction	**(27.3)**	(34.1)	**(44.0)**	(24.2)	**(45.1)**	(25.1)
Asset Solutions	**24.9**	4.2	**0.9**	6.0	**0.1**	5.2
Integrated Energy Services	**(11.7)**	174.0	**74.4**	79.6	**28.1**	42.3
Group	**(2.8)**	(15.5)	**(12.4)**	(5.8)	**(15.7)**	(8.9)

1. Business performance is shown by Petrofac as a means of measuring underlying business performance (see note 4 of the consolidated financial statements).
2. The prior year numbers are restated as detailed in note 2.9 to the consolidated financial statements.

Segmental overview continued

Engineering & Construction

ELIE LAHOUD
E&C Chief Operating Officer

The Engineering & Construction (E&C) division delivers onshore and offshore engineering, procurement, construction, installation and commissioning services in both traditional hydrocarbon and energy transition markets. Lump-sum turnkey is the predominant commercial model used, but we also offer our clients the flexibility of other models.

The division has more than 40 years' track record in designing and building major oil, gas, refining and petrochemicals infrastructure projects. It also has over 10 years' experience in delivering HVAC and HVDC electrical substation projects in the offshore wind market.

2023 overview

2023 was the strongest period for new awards in E&C in five years, with backlog more than trebling in the year to US$6.1 billion (2022: US$1.6 billion). We secured US$5.5 billion of new order intake split between traditional hydrocarbon and renewable energy markets. Of the US$6.1 billion backlog, approximately half relates to energy transition contracts, with the remainder being hydrocarbon contracts.

Throughout the year we adjusted our operating model to drive the right leadership focus, project governance and geographical oversight across our growing portfolio. These adjustments were crucial in ensuring that we strengthen our operational performance and maintain the successful delivery and execution of projects. Furthermore, we took steps to strengthen our business development organisation and approach, with a focus on driving greater selectivity in the work that we bid for. Through a dedicated recruitment initiative, we welcomed talented new team members at all levels of the organisation, including the reinstatement of the graduate development programme.

2023 was not without its challenges:

- Activity levels were lower in the year, resulting in a 27% year-on-year reduction in revenue as the contract portfolio transitions from the legacy contracts, which are largely reaching completion, to a portfolio consisting of new contracts progressing on the initial phases. Additionally, the liquidity challenges in the second half of the year impacted progress on some contracts.
- Securing guarantees for the new contracts awarded in 2023 has taken longer than expected, and required the provision of cash collateral for the first two performance guarantees secured in 2023, with no advances. The process is ongoing for the remaining contracts.
- A tough commercial environment has resulted in write-downs of receivables and an increase in legacy contract losses as a result of clients not fully reimbursing additional costs incurred on Covid-19 pandemic-affected contracts.

Operational performance

Operationally, we continued progress on the completion of the portfolio of legacy contracts, which consisted of eight contracts at the start of 2023. During the year, two of the projects reached the completed or substantially completed milestone1. We expect all but two of the legacy contracts to be completed1 in 2024. The two contracts that will continue in execution beyond 2024 are the Thai Oil Clean Fuels project and the Orlen Refinery Upgrade project in Lithuania.

1. Completed and substantially completed contracts: contracts where (i) a Provisional Acceptance Certificate (PAC) has been issued by the client, or (ii) transfer of care and custody (TCC) to the client has taken place, or (iii) PAC or TCC are imminent, and no substantive work remains to be performed by Petrofac.

Backlog at 31 Dec 23 by country

The Netherlands	46%	Lithuania	8%
UAE	21%	Thailand	4%
Algeria	19%	Others	2%

Backlog at 31 Dec 23 by market

Energy transition	56%
Petrochemicals	17%
Upstream gas	14%
Refining	12%
Upstream oil	1%

With respect to the Thai Oil Clean Fuels project, good progress continues to be made on the construction phases and we are achieving our interim milestones. However, additional, unbudgeted costs have been incurred on this contract. Through the negotiations with our clients, alongside our partners, we continue to seek the reimbursement of additional costs with the aim of reversing some of these adverse impacts in future periods.

The initial phases of the new contracts secured in 2023 are progressing well, including those for which guarantees are not yet secured. Of the US$6.1 billion backlog, approximately 90% relates to new order intake awarded in 2023, with only around 10% attributed to legacy contracts.

We remain in active discussions with credit providers to secure the contractually required guarantees on the remaining new contracts as well as with the clients of these new contracts (Financial Restructure, pages 8 and 9).

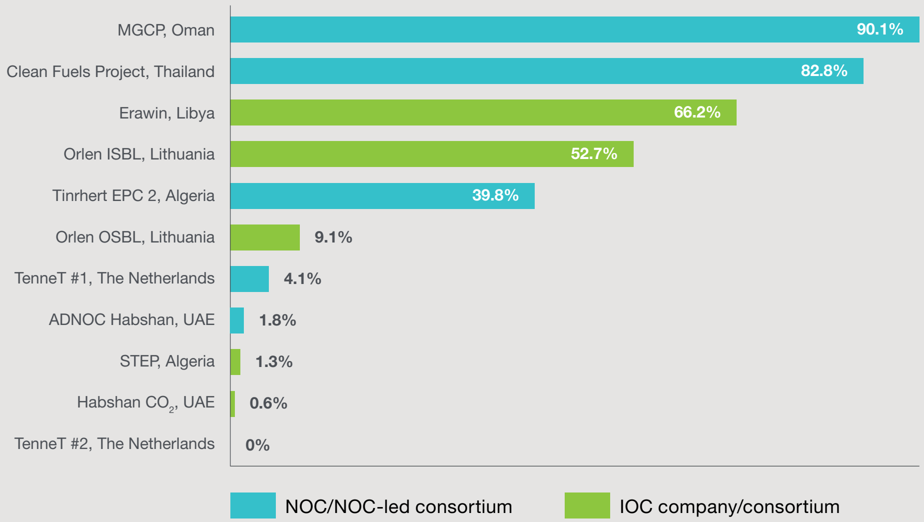
Energy transition

In offshore wind, Petrofac has over a decade of experience in designing and building offshore HVAC and HVDC electrical substations and partnering with original equipment manufacturers (OEMs). Petrofac's expertise in this sector lies in the construction of offshore wind substations which are designed and built onshore and transported to site. In 2023, TenneT awarded the Petrofac-Hitachi Energy partnership a multi-year Framework Agreement covering six projects worth approximately US$14 billion (of which approximately half of the value will be attributable to Petrofac) as it expands offshore wind capacity in the Dutch-German North Sea. Two platform contracts were subsequently awarded under the Framework Agreement in the year and comprise approximately 45% of the US$6.1 billion backlog.

Petrofac also has experience in delivering carbon capture utilisation and storage (CCUS) projects for clients, as well as concept and FEED studies on prospective future CCUS projects. In 2023, we extended our portfolio in this field, with a significant award for the ADNOC CCUS EPC project in the UAE (see new orders below).

Engineering & Construction – Key project progress

Key project status, % completion, December 2023[1]



1. Excludes projects that are >95% complete.

Financial performance

Revenue for the year decreased 27% to US$0.9 billion (2022: US$1.3 billion), reflecting the low opening backlog and the maturity of E&C's legacy contract portfolio, with initial phases of contracts awarded in the year providing limited contribution. Full year EBIT was a loss of US$422 million (2022 restated: US$323 million), including approximately US$90 million of one-off write-downs on legacy contracts to protect and accelerate cash flows. Excluding the one-off write-downs, E&C had an EBIT loss of US$332 million, driven by adverse operating leverage and additional losses on onerous contracts, including additional unbudgeted costs on the Thai Oil Clean Fuels project, as discussed above.

The challenges faced in obtaining guarantees for new contracts has resulted in the provision of cash collateral of over US$100 million to secure performance guarantees, with no advance payment guarantees available to secure advance payments on these awards. The combination of these dynamics with delays and reductions in contract settlements and further cost overruns has added further challenge to the Group's liquidity position. This has been partly offset by proactive working capital management.

New orders

E&C made significant progress in securing new awards and rebuilding backlog in our core traditional markets and with expansion into tangential markets. By driving greater selectivity in the work we bid for, we are continuing our focus on winning high-quality work in jurisdictions where we have a track record of successful delivery and with customers we know.

In 2023 this included three major contracts in our core markets of the UAE and Algeria, which significantly, were with key clients and included a re-entry to the UAE, a CCUS project and our entry into the petrochemical sector, in partnership with a petrochemical technical specialist. In addition, we further converted our potential in the energy transition sector with the first two platforms under the six-platform Framework Agreement with TenneT.

ADNOC Gas Habshan, UAE

In June 2023, Abu Dhabi National Oil Company (ADNOC) subsidiary, ADNOC Gas Processing awarded Petrofac a US$700 million EPC project for a new gas compressor plant, comprising three gas compressor trains and associated utilities and power systems, at its Habshan Complex.

This is a significant award for Petrofac in our home market of the UAE. Petrofac has a long and strong track record supporting ADNOC in the UAE, having first established a presence in the UAE in 1991, with a focus on in-country value maximising local delivery, investing in the local supply chain, and developing local teams.

ADNOC Habshan CCUS, UAE

In October 2023, Petrofac was awarded a second EPC contract by ADNOC Gas for its Habshan Carbon Capture, Utilisation and Storage (CCUS) project, one of the largest carbon capture projects in the Middle East and North Africa region.

Segmental overview continued

The contract is valued at more than US$600 million and involves the delivery of carbon capture units, associated pipeline infrastructure and a network of wells for carbon dioxide recovery and injection. The project is part of ADNOC's accelerated decarbonisation plan and is further evidence of Petrofac's role in helping clients with their decarbonisation journey.

STEP Polymers, Algeria

In May 2023, a Petrofac-led joint venture in partnership with China Huanqiu Contracting & Engineering Corporation was awarded a significant petrochemical EPC contract by STEP Polymers SPA (100% Sonatrach subsidiary) valued at approximately US$1.5 billion, with Petrofac's share valued at over US$1.0 billion. The contract is currently being delivered via a joint venture and so will be equity accounted.

This is a downstream project, which will form part of the Arzew Industrial Zone, located west of Algiers, supporting Algeria's energy strategy. This award broadens Petrofac's portfolio into the petrochemical sector and builds on its 25-year track record in Algeria.

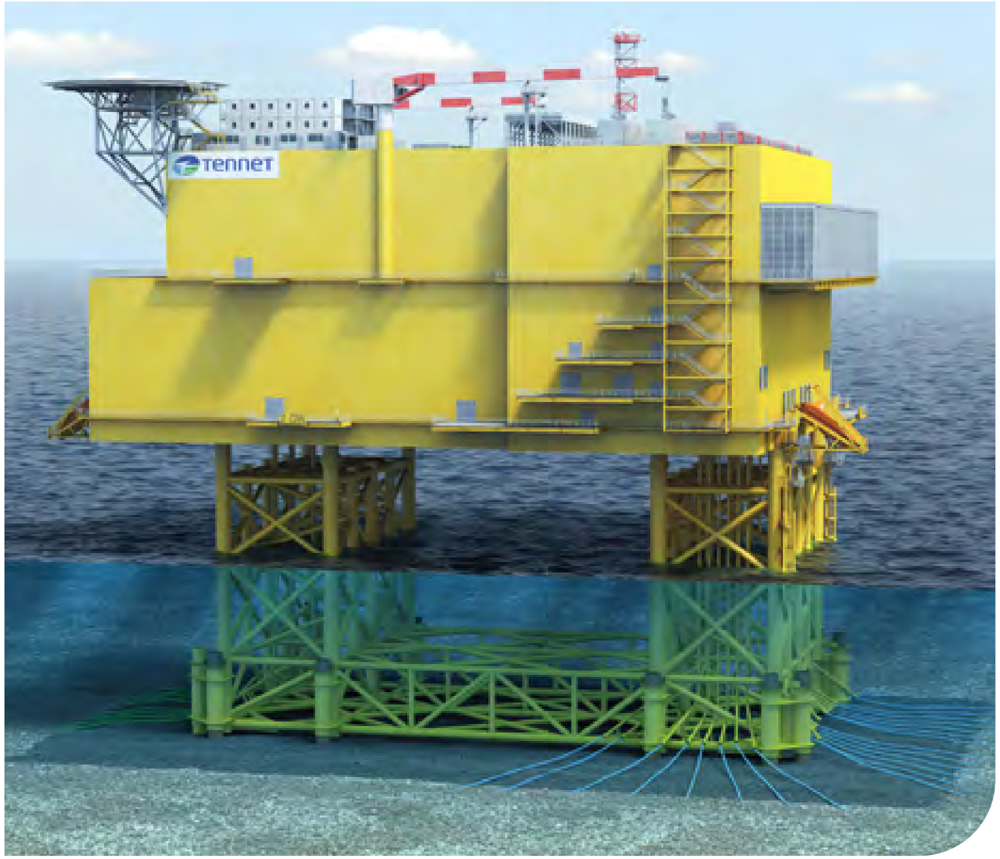
TenneT 2GW Offshore Wind Projects, Netherlands

With regards to energy transition, the Petrofac-Hitachi Energy partnership was awarded the first two projects under the TenneT multi-year Framework Agreement which covers six projects. Under the terms of the agreement, Petrofac will undertake the engineering, procurement, construction and installation (EPCI) of offshore platforms and elements of the onshore converter stations, which convert AC to DC power offshore and DC to AC onshore.

Each project is expected to take over six years to complete, and has a lower risk profile compared with a traditional lump sum EPC contract. The contracts are made up of a mix of lump sum, reimbursable and index-linked pricing.

Ijmuiden Ver Alpha, TenneT, The Netherlands
The first contract for the Ijmuiden Ver Alpha Project was awarded in March 2023, and was valued at over US$2 billion, split approximately equally between Petrofac and Hitachi Energy's scopes.

Nederwiek 1, TenneT, The Netherlands
The second contract for Nederwiek 1, a Dutch transmission station, was awarded in December 2023. The project is to be executed as a standalone project, with Petrofac's portion of the second contract valued at around US$1.4 billion.



Asset Solutions

NICK SHORTEN
Asset Solutions Chief Operating Officer

The Asset Solutions division provides services across the full life cycle of energy infrastructure. It manages and maintains client assets, both onshore and offshore, delivers small to medium-scale EPC projects and provides concept, feasibility and front-end engineering design (FEED) services to both traditional hydrocarbon and energy transition markets. The division is also home to market-leading well engineering, decommissioning and training capabilities. The majority of services are executed on a reimbursable basis, but we are responsive to clients' preferred commercial models to deliver our expertise. Asset Solutions has three service lines: Asset Operations, Asset Development and Wells and Decommissioning.

2023 overview

Asset Solutions had another successful year for backlog growth in 2023, delivering a strong order intake of US$1.6 billion, with a closing backlog of US$2.0 billion (2022: US$1.8 billion).

Revenues grew year-on-year by 25% due to higher levels of activity from a high opening backlog and order intake in the year. EBIT reduced by 97% as a result of cost increases on one of its EPCC contracts pending client negotiations, a one-off bad debt provision, reduction in profits from associates following the sale of the Group's investments in the two PetroFirst Infrastructure associates, and the roll off of higher margin work in 2022.

Operational performance

In Asset Operations, we have a unique operator pedigree and a differentiated integrated service offering that drives value for our clients. During the year, we maintained our core 40% market share in the UK and a renewal rate of 80% for operations and maintenance contracts. Internationally, we continued to leverage our UK centre of excellence and expanded our operations with new awards in new and within existing geographies.

Our Well Engineering team helps clients to explore and develop resources, maintain and maximise existing wells, or prepare for end of life. Additionally, by leveraging our core capabilities developed in oil and gas, we support the rapidly growing energy transition market, including delivering conceptual design, detailed due diligence, risk reviews and cost estimates for all well types.

In mature basins, clients have continued to have an increased focus on mature, late-life and end-of-life asset management, seeking to extend the productive life and maximise the value from their assets. With over 20 years' decommissioning experience, Petrofac combines experience, a flexible commercial model and a strong supply chain collaboration to deliver predictable and cost-efficient decommissioning.

Additionally, our ability to provide a one-stop shop has led to multiple integrated decommissioning projects which showcase our Duty Holder services. Pioneered in the UK North Sea, this unique integrated service offering includes our engineering and project management capabilities and the plugging and abandoning of wells, throughout which we can take full responsibility from a regulatory perspective, as the operator of the infrastructure.

In energy transition projects, we entered into a number of strategic alliances with leading technology providers, as momentum in our four focus areas of offshore wind, carbon capture utilisation and storage (CCUS), hydrogen and waste-to-value continues to increase. We executed 35 Pre-FEED and FEED studies in 2023 (2022: 39 Pre-FEED and FEED studies), and we are well-positioned over the medium term to secure EPC and other execution phase work as projects reach final investment decision.

Financial performance

Revenue for the year grew 25% compared with the previous year at US$1.4 billion (2022: US$1.2 billion), primarily driven by growth in Asset Operations. Full year EBIT was US$2 million (2022: US$60 million), with an EBIT margin of 0.1% (2022: 5.2%). EBIT during the year was adversely impacted by additional costs recognised on an EPCC contract, a bad debt provision of approximately US$11 million for a client going into administration, and lost trading income following the sale of the Group's investments in the two PetroFirst Infrastructure associates. Excluding these one-off events, underlying EBIT in the year was US$13 million, with an EBIT margin of 0.9% reflecting the completion of historic high-margin contracts in 2022.

Backlog at 31 Dec 23 by country

UK	50%	Thailand	5%
USA	14%	India	5%
Ivory Coast	7%	Others	13%
Australia	6%		

Backlog at 31 Dec 23 by market

Asset Operations	54%
Wells & Decommissioning	32%
Asset Development	14%

Segmental overview continued

New orders

Asset Solutions had a robust order intake in 2023, securing US$1.6 billion of awards and extensions in the year (2022: US$1.4 billion).

Key awards included:

Integrated services contract, Ivory Coast

Petrofac was awarded a three-year integrated services contract for a floating production storage and offloading (FPSO) vessel in Ivory Coast, Africa. The contract builds upon Petrofac's existing relationship with CNR International in the UKCS, which has centred around the provision of operation and maintenance services.

Integrated services contract, United Kingdom

In June 2023, Petrofac was awarded an extension to its integrated services contract with NEO Energy, worth £250 million, to continue to deliver operations, maintenance, engineering and construction support.

Late life asset management renewal, Gulf of Thailand

Petrofac was awarded a five-year extension for the provision of operations and maintenance (O&M) services on the FPF-003 floating production, storage and offloading (FPSO) vessel, located in the Jasmine field in the Gulf of Thailand.

Decommissioning scope increase, Gulf of Mexico

In June 2023, Petrofac added a third Gulf of Mexico field, and extended the scope of its existing contract to decommission two fields, offshore Gulf of Mexico. The scope includes the safe, efficient and assured decommissioning of the fields and operation of the fields during the execution of the decommissioning work.

Decommissioning contract, UK

In October 2023, Petrofac was awarded a multi-million pound deal with Saipem to support the decommissioning of a platform in the UK sector of the North Sea, supporting the UK energy transition.

Operations and maintenance extension, UK

In October 2023, Petrofac was awarded a three-year contract extension in support of Repsol Sinopec Resources UK's North Sea operations worth more than US$100 million. The award, for the provision of operations and maintenance services, is testament to the Company's established track record and existing long-term relationship with Repsol Sinopec.

Brownfield EPC framework, UK

In December 2023, Petrofac secured an engineering, procurement, construction and commissioning (EPCC) Framework Agreement with TotalEnergies to deliver EPCC solutions across TotalEnergies UKCS assets.

Energy transition

In energy transition, we continue to secure further early-stage awards and strategic alliances with technology providers. We remain well positioned over the medium-term to secure engineering, procurement and construction scopes of work, as projects reach final investment decision.

Key awards included:

Gasification-based green methanol programme partnership, OCI Global

In April 2023, OCI Global and Petrofac announced an exclusive partnership for their gasification-based green methanol programme. The programme will support the production of low-carbon feedstock for OCI's existing methanol facilities.

OCI will work together with Petrofac, on an exclusive basis, on the design of a standardised gasification process and modular design for the delivery of new waste-fed facilities. Petrofac will deploy its engineering, procurement and project management expertise to provide continued support to OCI for the delivery of the programme.

Carbon storage FEED, Neptune Energy

In December 2023, Petrofac's consulting team began work on the front-end engineering design (FEED) on a project that aims to play a key role in supporting the European Union in reaching its decarbonisation goals. The FEED, awarded to Petrofac by Neptune Energy, is for its L10 Operation facilities – a carbon storage infrastructure development that will connect to the Netherlands' flagship Carbon Capture, Transportation and Storage (CCS) project, Aramis.

The L10 Operation is being developed by Neptune Energy, alongside its partners EBN, Tenaz Energy and ExxonMobil, and seeks to store up to five million tonnes of carbon dioxide (CO_2) annually, which will be captured from industrial emitters in the region.

Integrated Energy Services

Integrated Energy Services (IES) is Petrofac's upstream oil and gas business. Our interest in the Production Sharing Contract (PSC) for Block PM304, Malaysia's offshore Cendor field, is the sole asset in the portfolio.

Operational performance

Net production for the year was maintained at 1,260 thousand barrels of oil equivalent (kboe) in 2023 (2022: 1,261 kboe) mainly due to strong reservoir management and excellent facilities performance coupled with stabilisation of water production in East Cendor.

During 2023, IES achieved an emissions reduction of 15% and an emissions intensity reduction of 14%. This was due to a combination of operational optimisations, flare reduction, reservoir management, logistics enhancements and employee commuting patterns. Our Flare Reduction Taskforce, in partnership with Block PM304 Reservoir Management and Operations Teams in Malaysia, achieved a reduction of 14% in absolute emissions.

The average realised oil price for Block PM304 decreased by 17% to US$93/boe in 2023 (2022: US$112/boe).

Financial performance

Revenue for the year decreased 12% to US$121 million (2022: US$137 million), reflecting the lower realised oil price. Business performance EBITDA decreased 17% to US$90 million (2022: US$109 million) principally reflecting the lower revenue from PM304. IES generated business performance EBIT of US$34 million (2022: US$58 million), driven by a decrease in realised oil price. Reported EBIT was US$41 million (2022: US$71 million), following a partial reversal of prior year impairment charges of US$7 million as detailed below.

Impairment of Block PM304

The production sharing contract for Block PM304 in Malaysia expires in September 2026, and we are not in continued discussions with Petronas in respect of an extension. Based on developments in the current year and the unlikely scenario of an extension, management continues to assume that it will not be secured when assessing the carrying value of the asset at the year-end. The review of all relevant assumptions resulted in an impairment reversal of US$7 million (2022: US$6 million reversal) recorded in the year. As a result of this impairment, the net book value carrying amount of Block PM304 as of 31 December 2023 is US$73 million (2022: US$86 million).

Financial review

focus
on near-term priorities

AFONSO REIS E SOUSA
Chief Financial Officer

In a year which delivered excellent backlog growth to close at US$8.1 billion, the Group's financial performance in 2023 reflected the ongoing challenges in closing commercial settlements on legacy Engineering & Construction (E&C) contracts and the restricted access to guarantees for the new E&C contracts awarded in 2023. This resulted in a business performance[2] EBIT loss of US$393 million (2022 restated[3]: US$229 million) and an increase in net debt to US$583 million (2022: US$349 million), with liquidity of US$201 million (2022: US$506 million). The reported EBIT loss was US$418 million (2022 restated[3]: US$236 million).

E&C performance was impacted by the recognition of additional costs on the Thai Oil Clean Fuels project, one-off write-downs on legacy contracts incurred to protect and accelerate cash flows, and low levels of activity, resulting from the aged legacy portfolio, giving an adverse operating leverage. Asset Solutions had another successful year with strong order intake, but with EBIT performance adversely impacted by a one-off bad debt provision relating to a customer entering administration and additional costs incurred in an EPCC contract. IES continued to deliver ahead of expectations with net production broadly in line with the prior year.

The Group made progress on its near-term priorities, continued to perform well for its clients and secured significant new awards which drove growth in backlog but with minimal impact on other financial metrics in the year. Good progress was made during the year in agreeing contractual settlements for historic collections, and actions taken by management resulted in positive free cash flow in the second half of the year, even in the absence of advance payment receipts, offset by an increase in the requirement to provide collateral for guarantees. However, the increased difficulty in securing these guarantees and the resulting tightening in liquidity towards the end of 2023 and into 2024 has created operational challenges. Management is currently progressing the critical Financial Restructure to help strengthen the Group's balance sheet as well as improving liquidity and securing guarantees.

Financial restructure

As set out on pages 8 and 9, the Company is pursuing a comprehensive financial restructure (Financial Restructure), to strengthen the Group's balance sheet, improve liquidity and to secure guarantees on normal commercial terms.

The Company has received a proposal from an ad hoc group of senior secured noteholders for the provision of new funding of up to US$200 million as well as further credit support of US$100 million to facilitate the provision of guarantees on existing contracts. This non-binding proposal is dependent upon, amongst other things, the Company securing performance guarantees for certain of its contracts and would require the conversion of a significant proportion of the Group's existing debt to equity. The Company is in active discussions with credit providers to provide these guarantees.

	Year ended 31 December 2023			Year ended 31 December 2022 (restated)[3]		
	Business performance[2] US$m	**Separately disclosed items US$m**	**Reported US$m**	Business performance[2] US$m	Separately disclosed items US$m	Reported US$m
Revenue	**2,496**	**–**	**2,496**	2,567	–	2,567
EBITDA	**(310)**	**(30)**	**(340)**	(150)	(12)	(162)
EBIT	**(393)**	**(25)**	**(418)**	(229)	(7)	(236)
Net loss[1]	**(485)**	**(20)**	**(505)**	(294)	(26)	(320)

Income statement

Revenue

Group revenue reduced marginally to US$2.5 billion (2022: US$2.6 billion), with the reduction in E&C being largely offset by growth in Asset Solutions. Revenue in the E&C operating segment decreased 27% reflecting the low opening backlog and the maturity of the E&C legacy contract portfolio. Asset Solutions had a strong revenue performance in the year, with growth of 25% year-on-year primarily driven by growth in Asset Operations. Revenue in the IES operating segment decreased 12% resulting from lower average realised oil prices during the year.

The Group generated revenue from a broad range of geographic markets in 2023, with UK, Algeria, Lithuania and Malaysia generating 59% of Group revenue (2022: top four markets – UK, Algeria, Thailand and Oman – generated 61% of Group revenue).

Earnings Before Interest and Tax (EBIT)

The Group reported a business performance[2] EBIT loss of US$393 million (2022 restated[3]: US$229 million). This included US$90 million of one-off write-downs in E&C contract settlements to protect cash flows, and a one-off bad debt provision of US$11 million for a client going into administration in the Asset Solutions segment. The reported EBIT was a loss of US$418 million (2022 restated[3]: US$236 million), with US$25 million (2022: US$7 million) of separately disclosed items.

E&C had a business performance[2] EBIT loss of US$422 million (2022 restated[3]: US$323 million). Excluding the one-off write-downs, E&C's business performance[2] EBIT loss of US$332 million, reflected adverse operating leverage due to low levels of activity and the impact of further unrecovered costs in the legacy portfolio. On the Thai Oil Clean Fuels Project, client negotiations are ongoing in relation to the reimbursement of a portion of the additional costs. The timing and outcome of these negotiations is not wholly within the Company's control, which resulted in further margin deterioration in 2023.

External revenue by geographical segment

United Kingdom	32%	Americas	7%
Algeria	10%	Oman	5%
Lithuania	9%	Thailand	5%
Malaysia	7%	Australia	5%
		Other	20%

1. Attributable to Petrofac Limited shareholders.
2. This measurement is shown by Petrofac as a means of measuring underlying business performance, see note 4 of the consolidated financial statements.
3. The prior year numbers are restated as detailed in note 2.9 to the consolidated financial statements.

Financial review continued

In Asset Solutions, business performance[2] EBIT was below the prior year at US$2 million (2022: US$60 million), with an EBIT margin of 0.1% (2022: 5.2%). Excluding the impact of the one-off doubtful debt provision, underlying business performance[2] EBIT was US$13 million with an EBIT margin of 0.9%, reflecting the additional costs incurred on an EPCC contract, the completion of historic high margin contracts in 2022 and pass-through revenue. Business performance[2] EBIT in IES decreased to US$34 million (2022: US$58 million) driven by a decrease in the realised oil price.

Group business performance[2] EBIT margin was below the previous year at (15.7)% (2022 restated[3]: (8.9)%) reflecting the one-off impact and the reductions in E&C and Asset Solutions described above, additional losses in E&C and the lower contributions from Asset Solutions and IES.

Year ended 31 December 2023

	Engineering & Construction US$m	Asset Solutions US$m	Integrated Energy Services US$m	Corporate & others US$m	Consolidation adjustments & eliminations US$m	Business performance[2] US$m	Separately disclosed items US$m	Reported US$m
Total revenue	**936**	**1,446**	**121**	**6**	**(13)**	**2,496**	**–**	**2,496**
EBIT	**(422)**	**2**	**34**	**(7)**	**–**	**(393)**	**(25)**	**(418)**
EBIT margin	**(45.1)%**	**0.1%**	**28.1%**	**n/a**	**n/a**	**(15.7)%**	**–**	**(16.7)%**

Year ended 31 December 2022 (restated)[3]

	Engineering & Construction US$m	Asset Solutions US$m	Integrated Energy Services US$m	Corporate & others US$m	Consolidation adjustments & eliminations US$m	Business performance[2] US$m	Separately disclosed items US$m	Reported US$m
Total revenue	1,287	1,158	137	6	(21)	2,567	–	2,567
EBIT	(323)	60	58	(24)	–	(229)	(7)	(236)
EBIT margin	(25.1)%	5.2%	(42.3)%	n/a	n/a	(8.9)%	n/a	(9.2)%

Depreciation and amortisation

Business performance depreciation and amortisation increased marginally to US$83 million (2022: US$79 million). Reported depreciation and amortisation was US$64 million (2022: US$74 million), resulting from the partial reversal of the previously recognised impairment in relation to Block PM304.

	2023 US$m	2022 US$m
Engineering & Construction	**10**	12
Asset Solutions	**11**	10
Integrated Energy Services	**56**	51
Corporate	**6**	6
Total (business performance[2])	**83**	79
Separately disclosed items	**(5)**	(5)
Total (reported)	**78**	74

Finance income/(expense)

Business performance finance income during the year was US$6 million (2022: US$7 million). Reported finance income increased during the year to US$11 million (2022: US$7 million) due to the reversal of some of the previously recorded embedded derivative fair value loss associated with the revolving credit facility (see note 6 to the consolidated financial statements). Business performance finance expense increased to US$119 million (2022: US$98 million), due to the increase in the Group's borrowing costs, primarily attributable to the increase in the Group's average net debt levels and an increase in market interest rates during the year.

	2023 US$m	2022 US$m
Finance income		
Bank interest	**1**	1
Interest income from joint operations in respect of leases	**5**	6
Business performance[2] finance income	**6**	7
Separately disclosed items	**5**	–
Total finance income	**11**	7

	2023 US$m	2022 US$m
Finance expense		
Group borrowings	**(105)**	(85)
Lease liabilities	**(9)**	(12)
Unwinding of discount on provisions	**(5)**	(1)
Total business performance[2] finance expense	**(119)**	(98)
Separately disclosed items	**–**	(18)
Reported finance expense	**(119)**	(116)

Taxation

Both the business performance[2] and reported income tax credit for the year were US$3 million (2022 restated[3]: business performance expense of US$1 million and reported expense of US$2 million). This primarily reflects tax provision releases in respect of previous years. Tax provision releases in the year were US$14 million (2022 restated[3]: US$34 million) driven by favourable outcomes from tax audits and adjustments to estimates concerning amounts expected to be paid in certain jurisdictions.

Net profit/(loss)

Business performance[2] net loss attributable to Petrofac Limited shareholders for the year was US$485 million (2022 restated[3]: US$294 million) primarily due to the lower EBIT and the higher net finance expense in the year. Business performance[2] net margin was (19.4)% (2022 restated[3]: (11.5)%).

The reported net loss was US$505 million (2022 restated[3]: US$320 million) which resulted from the movements noted above and the lower net separately disclosed items incurred in 2023.

Financial review continued

Separately disclosed items

During the year, the Group incurred US$20 million (2022: US$26 million) of net separately disclosed items.

These predominantly related to:

- US$(7) million non-cash reversal of impairment of assets resulting from a review of the carrying amount of the investment in Block PM304 in Malaysia
- US$20 million of restructuring and refinancing-related costs in relation to professional services fees for non-recurring projects within the Corporate reporting segment
- US$8 million losses on disposals. During 2023, the Group sold its investment in two associates and disposed of its shareholding in a wholly-owned subsidiary, (see note 6 to the consolidated financial statements)
- US$5 million of cloud ERP software implementation costs
- US$(5) million of fair value gain associated with the embedded derivative in respect of the Revolving Credit Facility
- Other net separately disclosed gains of US$(1) million

Further details of these separately disclosed items can be seen in note 6 of the consolidated financial statements.

Cash flow

Operating cash flow

Operating activities generated a net cash outflow of US$97 million (2022: US$146 million), principally reflecting the working capital inflow during the year partially offsetting EBITDA losses and other operating outflows. Net income taxes paid decreased to US$35 million (2022: US$52 million) due to lower payments resulting from tax assessments and liabilities.

	2023 US$m	2022 (restated)[3] US$m
Business performance[2] EBITDA	**(310)**	(150)
Operating profit adjustments	**14**	(12)
Operating loss before changes in working capital and other items	**(296)**	(138)
Net working capital movement	**257**	159
Separately disclosed items paid	**(23)**	(115)
Net income taxes paid	**(35)**	(52)
Net cash flows used in operating activities	**(97)**	(146)

Working capital inflow/(outflow):

	2023 US$m	2022 (restated)[3] US$m
Inventories	**6**	7
Trade and other receivables	**(252)**	(101)
Contract assets	**495**	273
Restricted cash	**(112)**	26
Net derivative contracts	**(7)**	6
Trade and other payables	**59**	(95)
Contract liabilities	**135**	81
Accrued contract expenses	**(67)**	(38)
Net working capital movements	**257**	159

The net working capital inflow of US$257 million (2022 restated[3]: US$159 million) was due to the conversion of contract assets to receivables and collections partially offset by an increase in restricted cash due to the provision of collateral for guarantees.

These cash inflows were largely driven by the progress achieved in the E&C operating segment in reaching contractual settlements. Underlying DSO (days sales outstanding) decreased as the Group made progress in collecting payments from clients.

Accrued contract expenses outflow increased, largely driven by the delays in securing guarantees required to collect advance payments on new contracts secured during the year in the E&C business unit, partly offset by progress made in reaching contractual settlements in the mature E&C project portfolio.

Free cash flow

The free cash outflow for the year of US$223 million (2022: US$188 million) primarily reflects the operating outflows and higher interest payments in the year attributable to the increase in the Group's average net debt levels, with the prior year including higher divestment proceeds.

Group capital expenditure decreased to US$16 million (2022: US$46 million), with only modest levels of spend across the Group, as the development programme in Block PM304 reached maturity.

	2023 US$m	2022 US$m
Net cash flows generated from operating activities	**(97)**	(146)
Capital expenditure	**(16)**	(46)
Net cash flows from divestments	**(1)**	98
Receipts from joint operation partners in respect of leases	**28**	28
Other investing activities, including dividends received from associates	**21**	18
Net cash flows generated from investing activities	**32**	98
Interest paid	**(101)**	(86)
Repayment of lease liabilities	**(57)**	(54)
Free cash flow	**(223)**	(188)

Balance sheet

IES carrying amount

The carrying amount of the IES portfolio stood at US$73 million at 31 December 2023 (2022: US$86 million), solely comprising the Group's interests in its operations in Malaysia and reflecting the impairment reversal described above.

Leases

Net lease liabilities, calculated as gross lease liabilities minus 64.7% of leases relating to Block PM304 in Malaysia, reflecting the amount receivable from joint operation partners, decreased 33% to US$78 million at 31 December 2023 (31 December 2022: US$116 million). Net lease liabilities attributable to PM304 amounted to US$38 million (31 December 2022: US$52 million) and largely relate to the bareboat charters for the floating equipment used for block operations.

Total equity

Total equity at 31 December 2023 decreased to US$(436) million (2022 restated[3]: US$102 million), reflecting the operational losses in the year. No dividends were paid in the period (2022: nil).

Of the US$(436) million of total equity at 31 December 2023, US$(401) million (2022 restated[3]: US$119 million) was attributable to Petrofac Limited shareholders and US$(35) million (2022: US$(17) million) was attributable to non-controlling interests.

Net debt, liquidity and financial restructure

Net debt

Net debt, excluding net finance leases, increased to US$583 million at 31 December 2023 (2022: US$349 million), predominantly reflecting the free cash outflow in the year.

Total gross borrowings less associated debt acquisition costs were US$784 million at 31 December 2023 (2022: US$799 million). This consisted of US$586 million senior secured notes, US$127 million drawn on the revolving credit facility and US$71 million of term loans (net of debt acquisition costs).

	31 December 2023 US$m	31 December 2022 US$m
Cash and short-term deposits	**201**	450
Interest-bearing loans and borrowings	**(784)**	(799)
Net debt	**(583)**	(349)

Liquidity

Following the extension of the debt facilities in April 2023, and the subsequent amortisations payments made during the year, the Group's total available borrowing facilities, excluding bank overdrafts, was US$797 million at 31 December 2023 (2022: US$880 million).

The facilities were fully drawn at 31 December 2023 (31 December 2022: US$56 million undrawn). With the Group's cash and short-term deposits of US$201 million (2022: US$450 million), the Group had US$201 million of liquidity available at 31 December 2023 (31 December 2022: US$506 million).

Borrowing facilities	Amount (US$m)	Maturity date[4]
Senior secured notes	600	Nov-26
Revolving credit facility	127	Oct-24
Term loan 1	35	Oct-24
Term loan 2	35	Oct-24
Total borrowing facilities	797	

Financial restructure

The Financial Restructure is detailed on pages 8 and 9. As at 31 May, we are in active discussions with creditors and prospective credit providers in relation to this critical restructure, which is designed to deliver a strengthened balance sheet through the conversion of a substantial portion of existing debt into equity, an improvement in liquidity, through the provision of US$200 million of new debt and more than US$200 million through the release of cash collateral and retentions. This restructure is required to repair the Group's currently fragile financial position.

The successful implementation of the Financial Restructure is critical and is subject to reaching an inter-conditional agreement with these key stakeholders, securing a number of necessary approvals from various stakeholders including our shareholders and completing the required judicial process. This is not expected to be completed before September 2024, at the earliest, albeit with the necessary inter-conditional agreements being reached approximately one to two months prior to final implementation.

Financial review continued

The revolving credit facility and the term loans are subject to financial covenants relating to minimum liquidity and minimum EBITDA. The Group was compliant with the minimum liquidity covenant throughout the year and the EBITDA covenant for the first three quarters following an amendment granted by lenders. The Group received a waiver in respect of the EBITDA covenant for the quarter ended 31 December 2023 (see note 26 to the consolidated financial statements).

Going concern

The Directors considered the going concern assessment for the extended period up to 31 December 2025 (the Assessment Period) in light of the ongoing Financial Restructure, which is seeking to materially strengthen the Group's balance sheet, improve liquidity and secure guarantees on normal commercial terms to support current and future contracts.

The Group closely monitors and manages its funding position and liquidity headroom by producing detailed cash forecasts and assessing downside sensitivities considered to be severe but plausible based on the Group's principal risks and uncertainties.

At the date of signing the financial statements, the Financial Restructure remains in progress and requires the setting and agreement of the associated commercial terms with all of the relevant stakeholders, the securing of guarantees, the necessary approvals from its shareholders and other key stakeholders and completing the judicial process.

Due to the number of steps indicated above and their inter-conditionality, the success and timing of the implementation of the Financial Restructure and subsequent receipt of new funds and cash collateral and retentions, is uncertain. The Directors' assessment of Going Concern is predicated on the ability to maintain sufficient liquidity prior to, and the successful implementation of, the Financial Restructure and the subsequent receipt of the associated funds, as detailed above, as well as the ability to maintain sufficient liquidity throughout the Assessment Period post-implementation in the mitigated severe but plausible downside scenario.

Whilst there is uncertainty in these outcomes, based on the current status of the process, and taking into account the advice from the Company's external financial, legal and liquidity advisors, the Directors have concluded that there is currently a reasonable prospect that the Group will be successful in implementing the Financial Restructure and there is therefore a realistic alternative to liquidation or cessation of operations. Assuming the successful implementation of the Financial Restructure, the cash forecasts show that the Group will have sufficient liquidity headroom during the Assessment Period in the mitigated severe but plausible downside scenario.

The Directors have concluded that there are a number of material uncertainties applicable to the going concern assessment, in accordance with accounting standards, that cast significant doubt upon the Group's ability to continue as a going concern during the Assessment Period.

These principally relate to the dependency on the Group successfully managing its short-term liquidity, implementing the Financial Restructure, the ability to continue to secure performance and advance payment guarantees on normal commercial terms following the Financial Restructure and the ongoing reliance on a small number of relatively high value collections from clients.

The full going concern assessment including the importance of the Financial Restructure, the short-term liquidity, the approach and assessment and the key risks, basis of preparation and conclusion, is detailed in note 2.5 to the consolidated financial statements on page 152.

Backlog

The Group's backlog more than doubled to US$8.1 billion at 31 December 2023 (2022: US$3.4 billion), reflecting the exceptional order intake in both E&C and Asset Solutions. Overall, Group order intake for the year was US$7.1 billion (2022: US$1.9 billion), representing a book-to-bill of 2.8x.

Order intake in E&C was US$5.5 billion (2022: US$0.5 billion) representing an exceptional book-to-bill of 5.9x, comprising new awards in both our core traditional and in energy transition projects. In the UAE and Algeria, Petrofac secured three major awards with key clients. We re-entered the UAE with two engineering, procurement and construction (EPC) awards from ADNOC worth over US$1.3 billion, including a carbon capture project.

In Algeria, we broadened our portfolio into the petrochemical sector in partnership with a petrochemicals technical specialist, with an EPC award of approximately US$1.0 billion to Petrofac. In energy transition, the Petrofac and Hitachi Energy partnership was awarded two projects from the six-project TenneT Framework Agreement. The two contracts with a value of more than $2 billion to Petrofac form a core part of the backlog.

Order intake in Asset Solutions was US$1.6 billion (2022: US$1.4 billion), with a book-to-bill of 1.1x, comprising awards, renewals and extensions in the year.
During the year, we maintained our core 40% market share in the UK and a renewal rate of 80% for operations and maintenance contracts. Internationally, we continued to leverage our UK centre of excellence and expanded our operations with new awards in new – and within existing – geographies.

Backlog	**31 December 2023 US$bn**	31 December 2022 US$bn
Engineering & Construction	**6.1**	1.6
Asset Solutions	**2.0**	1.8
Group backlog	**8.1**	3.4

Dividends

The Board recognises the importance of dividends to shareholders and expects to reinstate them in due course, once the Company's performance has improved.

Prior year adjustments and controls deficiencies

Two prior year adjustments have been identified in the year and reflected in the comparative information in this year's financial statements.

The largest of these adjustments was in respect of one of the contracts in the E&C portfolio, where updated third-party quantum expert advice in support of our claim for a variation was not reported by our legal team to our finance team and E&C management or to the Group's auditor at the correct time. There was insufficient follow-up on the matter by legal and local finance teams in the post balance sheet event period, and therefore, appropriate evaluation of this update did not occur ahead of the issuance of the 2022 financial statements. This issue was identified by the Group's assurance and compliance teams, in response to enquiries from the Group's auditor, and highlighted areas of improvement in relation to the adequacy of information flows within the business, and in particular information flows as part of the year end finalisation process.

The other adjustment was in respect of tax provision releases in certain jurisdictions and errors in translating foreign currency balances totalling US$14 million which were identified as relating to the previous year.

Upon the conclusion of this investigation noted above (and additional associated investigations, see Audit Committee report on pages 115 to 124), the Board sought additional assurance in relation to the identified control deficiencies and to satisfy itself that there were no other similar occurrences within the broader contract portfolio. Accordingly, the Group undertook a series of incremental assurance activities, supplemented by support from external advisors (see the principal risks and uncertainties disclosures on pages 72 to 77 and the Audit Committee report on pages 115 to 124). These assurance activities did not identify any other occurrences.

Full details of the prior year adjustments can be found in note 2.9 to the consolidated financial statements.

AFONSO REIS E SOUSA
Chief Financial Officer
31 May 2024

1. Attributable to Petrofac Limited shareholders.
2. This measurement is shown by Petrofac as a means of measuring underlying business performance, see note 4 of the consolidated financial statements.
3. The prior year numbers are restated as detailed in note 2.9 to the consolidated financial statements.

Viability statement

Introduction

In accordance with the requirements of the 2018 UK Corporate Governance Code (the Code), the Directors confirm that they have performed an assessment of the Group's prospects and its ability to continue in operation and meet its liabilities as they fall due over the period of their assessment. In doing so, they have considered the Group's current position and the principal risks and uncertainties that would threaten the viability of the business.

Context

At the time of their assessment, a number of key considerations for the Directors are related to the prospects of success of the Financial Restructure, the background for which is set out on pages 8 and 9, and the Group's ability to manage its liquidity prior, and subsequent, to the Financial Restructure. As further described in note 2.5 to the consolidated financial statements, the Group is in a fragile financial condition and is subject to a range of material matters that are not in the Board's control. The Financial Restructure is currently the only option to secure the future operations of the Group, and these matters may evolve further in the immediate or near term, with the realistic alternative to the Financial Restructure being insolvency.

Notwithstanding the Group's current financial condition, the financial statements for 2023 are prepared on a going concern basis, with material uncertainties identified with respect to the Group successfully managing its short-term liquidity, implementing the Financial Restructure, the ability to continue to secure performance and advance payment guarantees on normal commercial terms following the Financial Restructure and the ongoing reliance on a small number of relatively high value collections from clients.

The going concern assessment, in accordance with accounting standards, considered whether or not there is a reasonable prospect of the Group being successful in implementing the Financial Restructure and whether there is a realistic alternative to liquidation or cessation of operations. For the purposes of this assessment, in accordance with the Code, the Directors considered whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

Based on the current status of discussions with stakeholders required to commit to the Financial Restructure, the Directors are not currently able to form a view that the implementation of the Financial Restructure is more likely than not to take place, and therefore whether the Company will be able to continue in operation and meet its liabilities as they fall due over the Period, in accordance with the requirements of paragraph 31 of the UK Corporate Governance code.

The Group's prospects

Details of the Group's risk governance and management framework and a description of its principal risks and uncertainties are included in the Strategic report on pages 72 to 77.

In addition to the inherent risk of delivering large and complex projects safely, on time and on budget, the key medium-to-long term factors affecting the Group's prospects together with the Group's current position and outlook are set out below:

Factors affecting the Group's prospects	Group's current position and outlook
Energy market outlook: the long-term outlook for energy prices affects the investment decisions of our clients and consequently the timing and quantum of new awards, principally in our E&C division. **Oil price:** in the short term, oil price affects cash generated from oil and gas production in our IES division. **Economic and market environment:** the appetite of clients to award contracts and any restrictions or opportunities on access to certain markets reflects the macro-economic environment, geo-political conditions and other macro events.	**Addressable market:** the Group's addressable market, which excludes Saudi Arabia, Iraq and Russia, is estimated to grow to more than US$137 billion per annum in the medium-term, with all plausible scenarios indicating that absolute energy demand is expected to remain robust. 2023 saw significant growth in capital expenditure from our clients in some of the Group's core regions, which translated into US$7.2 billion of order intake for the Group. Continued growth is expected, with additional markets in our core MENA region expected to increase their levels of capital expenditure, driven largely by spending from national oil companies, where Petrofac has a differentiated position with its local delivery model. In addition, significant short- to medium-term opportunities are expected in the offshore wind, decommissioning and sub-Saharan Africa markets, where the Group also has differentiated offerings, to add to the successes achieved in these markets in 2023 and 2024, year to date. **Near term visibility:** at 31 December 2023, the Group had backlog of US$8.1 billion, with secured revenue in 2024 of approximately US$2.1 billion (70%). The current tendering pipeline comprises approximately US$60 billion of opportunities scheduled for award in the next 18 months, in our addressable markets, which includes an additional three of the remaining four platforms under the TenneT Framework Agreement. **Medium term ambition:** in the medium term, the Group is targeting revenue of US$4 billion–US$5 billion, sector leading EBIT margins and a net cash position, which is supported by its business plan.

Factors affecting the Group's prospects	Group's current position and outlook
Energy transition: the nature and speed of the transition to new energies, and the Group's ability to address these new market opportunities in the medium to long-term.	**Energy transition:** the Group is well positioned in these markets, with a track record of over a decade in offshore wind and having secured a six-platform offshore wind transition station Framework Agreement in partnership with Hitachi Energy for TenneT. It also secured a carbon capture, utilisation and storage (CCUS) project with ADNOC and is rapidly expanding credentials in hydrogen production, waste-to-value and emissions reduction. The short- to medium-term opportunity is expected to principally materialise through further EPC opportunities in the offshore wind market, decommissioning work related to the transition away from fossil fuels and FEED and pre-FEED studies in the other energy transition markets.
Cost competitiveness: the ability to maintain a sustainable, cost competitive position to win contracts and deliver positive economic returns through operational excellence.	**Cost management:** the Group focuses on continuous innovation to maintain its cost competitiveness. In 2023, the Group enhanced its operating model to strengthen the support functions and enhance assurance with the aim of providing the predictable outcomes required for the Group to consistently deliver high standards of execution and sector leading margins. **Selectivity:** in addition, with an emphasis on staying selective in the opportunities we pursue, the Group aims to build on our core strengths, with a narrow focus on the type of work we do best, for the clients we know best, in the type of geographies where we can execute best.

Factors affecting the Group's prospects	Group's current position and outlook
Availability of funding and guarantees: the capital markets' and banking appetite to finance the global energy industry and the Group, including the provision of guarantees on normal commercial terms.	**Balance sheet strength:** at 31 December 2023, the Group had cash and cash equivalents of US$201 million, net debt of US$583 million, liquidity of US$201 million and was in compliance with its financial covenants (taking into account the waiver secured in early 2024 for the minimum EBITDA covenant as at Q4 2023). As a result of the challenges in securing performance guarantees without significant cash collateral, the Group's liquidity is not currently sufficient to meet its payment obligations, including the payment of the US$29 million interest coupon on its senior secured notes which was not paid on the due date of 15 May 2024, and its contractual amortisation payments on the revolving credit facility and bilateral bank loans of US$84 million, where to date, the Group's lending banks have been providing deferrals for these for no longer than on a weekly rolling basis. The Group is carefully managing its operational cash flows to maintain liquidity. At the time of signing these financial statements, the Group is seeking to implement a Financial Restructure, with the aim of strengthening the balance sheet by reducing its debt burden and improving its liquidity, both of which are expected to help secure guarantees. With discussions ongoing with the stakeholders, whose commitment is required to successfully implement the Financial Restructure, there is no certainty that the balance sheet will be strengthened or liquidity improve and there is a risk that the Group could enter into insolvency proceedings. Furthermore, even if the Financial Restructure is successfully implemented, there remains an uncertainty with respect to the Group's financial position being sufficient to secure guarantees on normal commercial terms.

The Group's prospects are subject to inherent forecasting risks relating to the Group's principal risks and uncertainties, which include inter alia low order intake, loss of financial capacity, macro-economic uncertainty, prevailing oil price environment, impact of energy transition and the ability of the Group to deliver its strategic initiatives.

Viability statement continued

Assessment

The Directors have determined that the period to 31 December 2026 (the Period) is the appropriate duration for its viability assessment period. This Period has been selected as it provides the Board sufficient visibility into the Group's clients' capital and operational expenditure plans, it covers the period over which existing backlog is executed, and it is consistent with the Group's business plan duration. These elements comprise the foundation for modelling the Group's financial performance, including sensitivities, which informs the Directors on whether there is a reasonable expectation of viability over the Period.

The key assumptions (the assumptions) within the Group's business plan for the Period include:

- **Short-term liquidity:** the Group is able to maintain sufficient liquidity prior to implementation of the Financial Restructure, which relies upon the Group having continued support of its stakeholders in refraining from taking enforcement action on the payment obligations due during the period, which includes US$29 million of overdue interest coupon on the senior secured notes and US$84 million of deferred contractual amortisation payments on its bank lending and operational payments.
- **Implementation of the Financial Restructure:** successful implementation of the Financial Restructure will include a restructure of its balance sheet to reduce indebtedness, an improvement in liquidity and securing performance guarantees for some of the Group's existing contracts.
- **Access to guarantees:** successful implementation of the Financial Restructure will allow the Group to secure new performance and advance payment guarantees on normal commercial terms on an ongoing basis.
- **One-off collections:** collection of a small number of relatively high value one-off collections of E&C working capital, which are not entirely within the Company's control.
- **Oil price:** $84 per barrel in 2024 and 2025, after hedging, reducing to $81 per barrel in 2026.
- **Accessible market:** continued access to a diversified pipeline of opportunities throughout the Period, excluding Saudi Arabia, Iraq and Russia.
- **New order intake:** a book-to-bill of 1x or greater in each year of the plan in both E&C and Asset Solutions business units.
- **Margins:** EBIT margins in E&C remain at lower levels in the near-term as a result of low order intake in periods prior to 2023, an underperforming legacy contract portfolio, limited contribution from new awards and a reduced operating leverage. A recovery in the medium-term is expected, driven by the return of awards in the Group's core markets, the contracts secured in 2023 and the contracts under the TenneT offshore wind framework agreement. Asset Solutions is expected to increase its margins driven by revenue growth and geographical expansion.

  The impact of cost increases on the legacy E&C portfolio of contracts has been reflected in the Group's financial performance to 31 December 2023 and in the business plan margin forecasts. With only two of the legacy contracts expected to be still in execution beyond 2024, the Directors have concluded that the risk of cost increases during the Period is lower than in previous periods.
- **Other adverse events and conditions:** the Group is exposed to inherent risks, for example, poor operational execution, unfavourable commercial settlements and/or adverse outcomes in disclosed contingent liabilities (refer to note 30), which could – depending on the nature, amount and timing of such events and conditions – threaten its viability. Notwithstanding the material uncertainties referenced above, based on available liquidity headroom, the occurrence of such events and conditions are assessed not to fully erode liquidity headroom, after available mitigations.

In order to assess the resilience of the Group to threats to its viability, the Group's business plan forecasts were subjected to multi-variable stress test sensitivity analysis together with an assessment of potential mitigating actions. This analysis included variables that considered the crystallisation of principal risks and uncertainties arising from the following:

Principal risks and uncertainties	Variables
• Adverse geo-political and macro-economic changes in key geographies • Low order intake	A material decline in new order intake, notably a c.50% reduction in value of new awards in E&C (other than the contracts expected under the TenneT Framework Agreement) and c.20% in Asset Solutions, spread across the Period, which could be driven by factors such as, but not limited to, a low energy price environment, economic uncertainty, accelerated energy transition and other restrictions such as sanctions.
• Failure to deliver strategic initiatives • Poor project execution	EBIT margin deterioration of c.1% for E&C, which could be driven by cost overruns and adverse commercial or legal settlements. Delays in material cash collections.
• Loss of financial capacity	The Group retains the ability to secure performance guarantees in support of new contract awards on normal commercial terms. Advanced payment guarantees are not available, with the exception of a small number required to maintain liquidity in the Going Concern assessment period, over which there is a disclosed material uncertainty.
• Breaches of laws, regulations and ethical standards	No financial impact that threatens viability would crystallise from contingent liabilities during the Period (refer to note 30).

The variables above were modelled in combination to assess the impact on the Group's liquidity headroom. There are material uncertainties with respect to the Group's ability to maintain positive liquidity throughout the Period, linked to managing its short-term liquidity, implementing the Financial Restructure, the ability to secure performance and advance payment guarantees on normal commercial terms following the Financial Restructure and the timing of receipt of a small number of relatively high value collections, as described in note 2.5.

The Directors have also evaluated mitigating actions that management could realistically take to avoid or reduce the impact or likelihood of the principal risks and uncertainties materialising. Management has a track record of managing its payment obligations and, where necessary, implementing cost saving measures, taking actions to maintain sufficient liquidity in the absence of delays in material collections, budgeted new awards and working capital unwind. Consequently, the Directors' view is that management could continue to deploy such measures in response to the crystallisation of principal risks and uncertainties, however, it is not certain that these mitigations could sufficiently mitigate the crystallisation of all identified risks or that these could be deployed in a sustainable manner to ensure the continued viability of the business in an extended stressed environment.

Conclusion

The viability assessment has been undertaken in the context of the Group currently being in a fragile financial position and seeking to implement a comprehensive Financial Restructure which aims to provide a platform for the Group to continue operating through the assessment period.

The financial statements are prepared on a going concern basis, as a result of the Directors' assessment that there is, at the time of writing, a realistic prospect of the Financial Restructure being successfully implemented. However, there are a number of material uncertainties in the assessment: the ability to maintain liquidity prior, and subsequent, to the Financial Restructure, including ongoing access to guarantees on normal commercial terms, and the successful implementation of the Financial Restructure itself.

The Group actively monitors and responds to the risks identified in the viability assessment. Assuming the Group can maintain liquidity prior to the implementation of the Financial Restructure, and it is successfully implemented, taking into account the Group's current position, prospects, principal risks and uncertainties and assumptions listed above, particularly the ongoing access to guarantees on normal commercial terms, the Directors have concluded that, in those circumstances, they would have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the assessment period.

However, as a consequence of the inherent uncertainties noted above in relation to the Financial Restructure, the Directors are unable to conclude at this time that there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the assessment period to 31 December 2026.

Governance at a glance

Good governance is good business. This is recognised and demonstrated across the business, through our projects and initiatives, aimed at improving the future of the Company, our employees, our clients, our shareholders, and the environment.

corporate governance

Board information dashboard

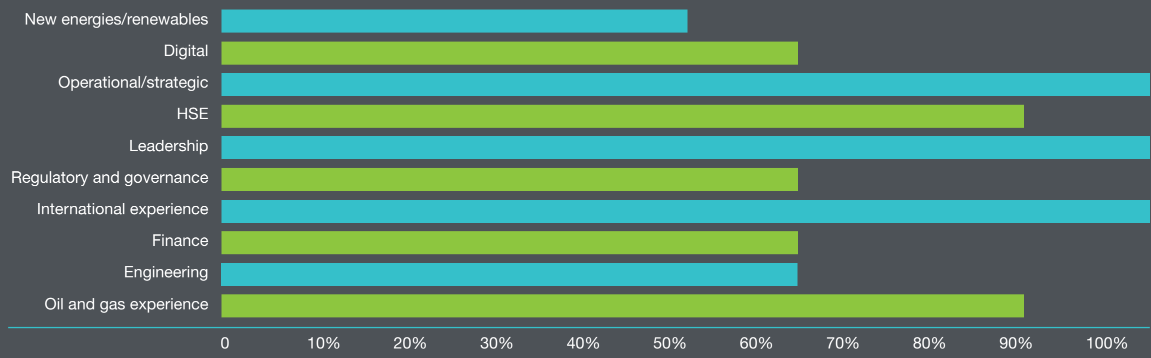
22%
Female representation

50%
Of Directors falling within the Parker Review's classification

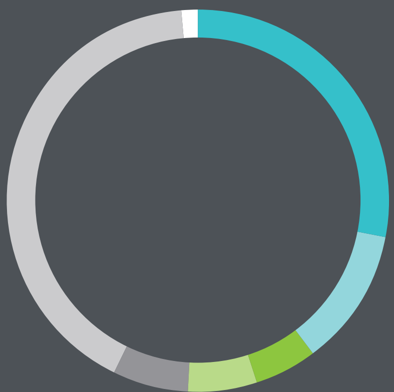
8
Different nationalities

+170 years
Combined Board experience

Board skill set



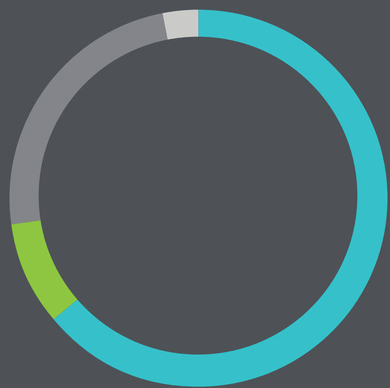
How the Board spent its time during the year – 2023



Financial matters	28%
Governance	12%
Leadership and people development	5%
Project approvals	6%
Risk management and internal control	6%
Strategic matters	41%
Sustainability	2%

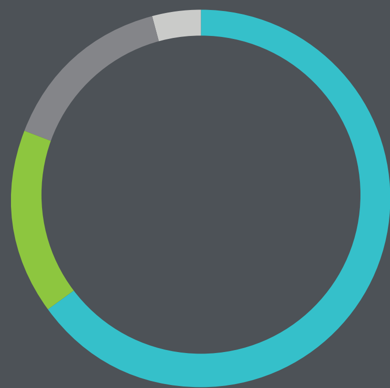
Shareholders – geographic analysis

Shareholders (ownership) by territory



UK	64%
North America	9%
Rest of Europe	24%
Rest of the World	3%

Meetings held with shareholders by country



UK	65%
North America	16%
Rest of Europe	15%
Rest of the World	4%

Chair's introduction

RENÉ MÉDORI
Chair

Dear Shareholder

On behalf of the Board, I am pleased to present the Group's Corporate Governance report for 2023.

The key focus for the Group throughout 2023 and into 2024 was to continue the work to strengthen our balance sheet, improve overall liquidity and secure guarantees to support the implementation of our US$8 billion backlog of business. We initiated a formal review of strategic and financial options, resulting in the planned financial restructure (Financial Restructure), detailed in pages 8 to 9. Aidan de Brunner was appointed as a Non-executive Director to lead the review and a Special Committee of the Board (page 110) established to manage the process.

The Board's priority during this challenging period was to provide leadership and guidance and accordingly the Directors met, and continue to meet, regularly often at short notice, to deliver on our fiduciary duties.

The Board understands the benefits of annual performance evaluations, both for the Directors on an individual basis, as well as for the Board as a whole. In accordance with the UK Corporate Governance Code, the Board undertakes an externally facilitated annual evaluation, once every three years, the last being in 2022, therefore for 2023, the Directors conducted a self-evaluation of their individual performance and a collective evaluation of the performance of the Board.

Looking ahead

As a Board, we will continue to ensure that we make the right decisions to materially strengthen the financial position of the Group, focusing on the implementation of the financial structure which in turn will support the long-term sustainable success of our business to create long-term value for shareholders.

I would like to thank all our stakeholders for their continued support over recent years.

RENÉ MÉDORI
Chair
31 May 2024

The UK Corporate Governance Code

As a Jersey incorporated company listed in the UK, Petrofac is subject to the principles and provisions of the UK Corporate Governance Code (UK Code). The UK Code underpins the corporate governance framework for premium listed companies and sets out principles and provisions 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.

Petrofac is required to explain how the Company has complied with the UK Code and applied the principles and provisions set out therein. This Governance report details how the Company has applied the principles and complied with the provisions of the UK Code. For the year ended 31 December 2023, the Board has been compliant in all but one aspect of the UK Code.

Provision 19 of the UK Code states that the chair of a company should not remain in post beyond nine years from the date of first appointment, although it does allow for an extension of the chair's tenure for a limited time to support effective succession planning and development of a diverse board.

While he has served less than nine years as Chair, René Médori's tenure as a Board member reached nine years in 2021 and, as a result, he is no longer considered to meet the definition of independent in the UK Code.

The Company confirmed in its 2022 Annual Report that Mr Médori's tenure would be extended to provide continuity on the Board as a result of the challenges being faced by the Group and following the recent changes in Group Chief Executive.

In April 2023, the new Group Chief Executive, Tareq Kawash, was appointed.

On 4 December 2023, the Company announced its financial and strategic review aimed at strengthening the balance sheet, securing guarantees and improving liquidity. Given the need for firm Board leadership and consistency of experienced oversight during these major business changes, the Nominations Committee reaffirmed its recommendation that Mr Médori remain in post through 2024.

Further details are set out on pages 111 to 114.

In accordance with Listing Rules LR 9.8.6(R) and LR 14.3.33R (1), listed companies are required to disclose in their annual financial report whether they have met specific board diversity targets on a comply or explain basis.

Further details are set in the report of the Nominations Committee on pages 111 to 114.

During 2023, the Company complied with all relevant requirements of the Disclosure and Transparency Rules, the UK Listing Rules and narrative reporting requirements.

The following table sets out where shareholders can find further information on how the Company has applied the principles of the UK Code within this Annual Report.

1. Board leadership and Company purpose
The Board sets the tone of the Company with regard to the corporate governance framework and the application of corporate values and behaviours. The Board also maintains oversight to ensure resources are in place for the Company to meet its objectives and that there is an established risk framework for the management of effective controls.

a. Effective Board	**Pages 102–109**
b. Purpose, values and culture	**Pages 2–3, 20, 105–106**
c. Governance framework and controls	**Pages 106, 120**
d. Stakeholder engagement	**Pages 26–29, 107**
e. Workforce engagement	**Pages 28, 59–61**

2. Division of responsibilities
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. We believe all Directors work together in an atmosphere of openness, trust, and mutual respect. 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.

f. Board roles and responsibilities	**Pages 102–108**
g. Independence	**Pages 102–103**
h. External appointments and Board attendance	**Pages 105–107**
i. Key activities of the Board, information and support	**Pages 105–107**

3. Composition, succession and evaluation
The Company has a formal, rigorous, and transparent selection procedure for the appointment of Directors. The Nominations Committee has the responsibility of identifying and nominating all candidates, with emphasis given to ensuring Board composition remains balanced with the multi-disciplinary skills and experience needed to support Petrofac's future plans.

j. Appointments to the Board	**Page 111**
k. Board skills, experience and knowledge	**Page 108**
l. Annual Board evaluation	**Page 109**

4. Audit, risk and internal control
The Board maintains a sound risk management and internal controls framework to ensure the Group's long-term strategic objectives can be achieved. Transparent policies and procedures have been established to ensure the independence and effectiveness of the Group audit function, with well-established committees in place to assist it in the undertaking of its delegated duties.

m. Internal and external audit functions, financial reporting and narrative statements	**Pages 118–121**
n. Fair, balanced and understandable assessment	**Page 121**
o. Internal control framework and risk management	**Pages 70–77, 120**

5. Remuneration
The Remuneration Committee ensures that there is a formal and transparent process for determining and reporting on Executive Director and senior management remuneration. Remuneration policies have been designed to support the Group's strategy, in alignment with the Company's purpose, values and behaviours and to promote the long-term success of the organisation.

p. Alignment of remuneration with purpose, strategy and values	**Page 128**
q. Remuneration policy	**Page 128**
r. Performance outcomes and strategic targets	**Pages 130–133**

Board of Directors

as at 31 May 2024

Committee membership key

A Audit Committee N Nominations Committee R Remuneration Committee C Compliance and Ethics Committee S Special Committee C Chair of Committee

René Médori
Chair

Committees N
Appointed: January 2012
Chair: May 2018
Independent: No, independent on appointment

Key strengths and experience

Extensive 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. Stepped down as Finance Director of Anglo-American plc in April 2017 and retired from the company in January 2018, after 12 years. Was a non-executive director of De Beers, Anglo American Platinum Limited and SSE plc until December 2017 and of Cobham plc until January 2020.

External appointments

Non-executive chair of Puma Energy.
Non-executive director of Vinci SA and Newmont Corp.

Tareq Kawash
Group Chief Executive

Committees S
Appointed: April 2023
Independent: Not applicable

Key strengths and experience

Over 30 years' experience in the engineering and construction industry, completing both domestic and international assignments for mega onshore and offshore oil and gas projects. Has a wealth of operational and commercial experience, with extensive knowledge of the Middle East, having lived and worked in the region for 18 years. Was most recently Senior Vice President of McDermott's onshore and offshore business lines. Prior to McDermott's combination with CB&I in 2018, he was CB&I's Group Vice President, Engineering and Construction, International. Before joining CB&I in 2000, he worked with KBR for two years and Consolidated Contractors Company for seven years.

External appointments

None.

Afonso Reis e Sousa
Chief Financial Officer

Committees S
Appointed: September 2021
Independent: Not applicable

Key strengths and experience

Extensive experience in corporate and project finance, specialising in energy-related and infrastructure financing. Joined the Company in 2012 as Group Head of Structured Finance and accumulated a portfolio of increasing responsibilities including Group Treasurer, Head of Tax, and Group Head of Enterprise Risk. Has more than 25 years' experience in finance, including a background in investment banking, having begun his career with Deutsche Morgan Grenfell.

External appointments

None.

Matthias Bichsel
Senior Independent Director

Committees A C N R
Appointed: May 2015
Senior Independent Director: May 2018
Independent: Yes

Key strengths and experience

More than 40 years' experience in the oil and gas industry. Extensive commercial and strategic capabilities. Deep understanding of operational, project and technology management. Broad knowledge of sustainable development issues. Until 2014, held several senior managerial roles over his 34-year career with Royal Dutch Shell, latterly as a member of the Group's executive committee and director of Capital Projects and Technology.

External appointments

Non-executive director of Canadian Utilities Limited (Canada) and Voliro (Switzerland).

Sara Akbar
Non-executive Director

Committees A N R
Appointed: January 2018
Independent: Yes

Key strengths and experience
More than 40 years' experience in the oil and gas industry with a unique insight into the Middle Eastern region. Wide-ranging international experience and significant operational and project management capabilities. She was Chief Executive Officer of Kuwait Energy KSC until 2017, which she founded in 2005. Served in various positions in the oil and gas industry in Kuwait and internationally from 1981 to 1999. Holds a BSc in Chemical Engineering. Former Member of the Kuwait Supreme Council for Planning and Development.

External appointments
Chair and CEO of Oil Serve and Chair of the Advisory Board to the American University of Kuwait, and a member of the ICC Merchants of Peace Fund.

Ayman Asfari
Non-executive Director

Committees N S
Appointed: January 2002
Independent: No

Key strengths and experience
Prominent record with strong operational leadership skills and international focus. Extensive entrepreneurial and business development skills, and an in-depth knowledge of the oil and gas industry. Established Petrofac International in 1991 and, following a corporate reorganisation in 2002, became Group Chief Executive, before leading the successful initial public listing of the Company in 2005. Has more than 40 years' experience in the energy industry. Formerly worked as MD of a major civil and mechanical construction business in Oman. Stepped down as Group Chief Executive on 31 December 2020.

External appointments
Executive Chair of Venterra Group plc. Chair of the Asfari Foundation. Member of the board of trustees of the American University of Beirut and of the Carnegie Endowment for International Peace. Fellow of the Royal Academy of Engineering and member of the Chatham House Panel of Senior Advisors.

David Davies
Non-executive Director

Committees A C
Appointed: May 2018
Independent: Yes

Key strengths and experience
Extensive international and financial experience, including capital and debt raising as well as managing companies exposed to substantial and rapid change. Served on the boards of listed companies in seven different countries. More than 36 years' experience as a financial professional with a successful career as Chief Financial Officer and Deputy Chairman of the executive board at OMV Aktiengesellschaft. Served as Group Finance Director for both Morgan Crucible Company plc and London International Group plc and was a non-executive director of Ophir Energy Plc until May 2019 and of Uniper SE until April 2020.

External appointments
Non-executive director of Wienerberger AG and an Independent Member of the Supervisory Board of the Gas Transmission Systems Operator of Ukraine LLC (GTSOU).

Francesca Di Carlo
Non-executive Director

Committees C N R
Appointed: May 2019
Independent: Yes

Key strengths and experience
Extensive background in various senior positions, specialising in corporate finance operations, strategy, audit, human resources, and procurement. She was until September 2023 the Group Executive Vice President of Procurement of the Enel Group, having previously held the roles of Director of the People and Organisation division, Director of Group Audit, and Head of Corporate Strategy. At the Telecom Italia Group, she held various roles including Head of Investor Relations, Head of Financial Planning and Head of Corporate Development and M&A. Former Chairperson of Stream and Telespazio, as well as a former director of Sky Italy.

External appointments
Chair of Cero Generation Limited.

Aidan de Brunner
Non-executive Director

Committees C S
Appointed: Dec 2023
Independent: Yes

Key strengths and experience
A senior professional with board, management, investment and advisory experience gained over 20 years across a range of companies, including The Trafford Centre Limited, McLaren Group Limited and London Southend Airport Limited, amongst others. He received his Bachelor of Science in Mechanical Engineering from Bristol University, his Master of Science in International Development from the School of Oriental and African Studies and qualified in 2000 as a UK Accredited Chartered Accountant.

External appointments
Holds directorships in: LumiraDxUK Ltd, Anfora GP Limited, Teide Limited (Singapore), Fagus Holdco PLC, Liberty France Industries BV, Concerts for Carers Ltd, We Are Sweet Ltd, Burkina Health Foundation Limited.

Executive Committee

Jim Andrews
Group Head of Health, Safety, Environment and Quality

Responsibility
Has overall accountability for quality, health, safety, security, sustainability, and environment.

Roberto Bertocco
Group Director of Technical Functions

Responsibility
Has responsibility for the technical function of engineering, supply chain, construction and completions.

Marc Bonandrini
Chief Commercial Officer

Responsibility
Has responsibility for securing high-quality backlog in key growth markets as well as leading the business development and proposals team across the Petrofac Group.

Jonathan Kennefick
Group Head of Business Assurance

Responsibility
Has responsibility for business assurance.

Elie Lahoud
Chief Operating Officer, Engineering & Construction

Responsibility
As Chief Operating Officer of the E&C business, has overall accountability for strategy and overall delivery of business targets.

John Pearson
Chief Operating Officer, Energy Transition Projects

Responsibility
As Chief Operating Officer, ETP, has overall accountability for growing and delivering our energy transition business plan.

Sandra Redding
Group General Counsel

Responsibility
Has overall responsibility for the legal, compliance, and company secretariat functions, ensuring business is conducted in accordance with applicable laws and regulations.

Sophie Reid
Group Director of Communications

Responsibility
Has overall responsibility for advising on internal and external communications, including marketing and brand.

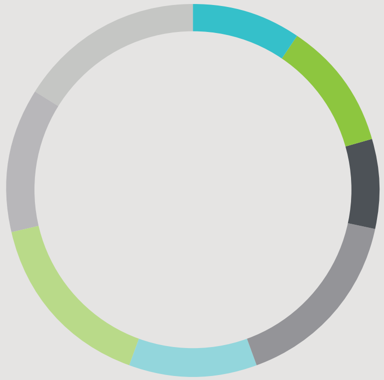
Nick Shorten
Chief Operating Officer, Asset Solutions

Responsibility
As Chief Operating Officer, Asset Solutions, has overall accountability for delivery against our business plan.

Des Thurlby
Group Director of Human Resources

Responsibility
Has overall responsibility for advising on all people aspects of the business. This includes succession planning, talent management, leadership development, compensation, performance, diversity and inclusion, and employee engagement.

Key expertise



Oil and gas	6
Engineering	7
Financial	5
International	10
Regulatory and governance	7
Leadership	10
HSE	8
Operational/strategic management	10

Tareq Kawash and Afonso Reis e Sousa are also members of the Executive Committee. Their biographies are set out on page 102.

Corporate governance report

Board leadership and Company purpose

Board governance structure

As a Jersey-registered entity, Petrofac Limited is bound by requirements set out in the Companies (Jersey) Law 1991. Our Directors are also informed by UK practice and wish to act in good faith to promote the long-term success of the Group. The Board seeks to ensure there is an effective governance framework in place across the Group.

The Board recognises that the Group's long-term success depends on a commitment to good governance standards, with governance an element that should be ingrained in our behaviours, in the way we make decisions and run our business, rather than simply a compliance metric. In determining the Group's strategic direction, and the sustainability of the business model, the Board is conscious of its responsibilities to all stakeholders and seeks to ensure that the necessary corporate and management structures are in place to ensure our strategy is implemented effectively.

Matters reserved

The Board has a formal schedule of matters reserved for its decision making and approval. These matters include responsibility for the overall management and performance of the Group and the approval of its long-term objectives, strategy, budgets, material contracts, capital commitments, risk appetite, the long-term viability statements and key policies.

Board activities and key focus

The main priorities of the Board are to provide leadership and guidance in support of the Group's strategic priorities, with consideration especially focused in late 2023 and 2024 on the Group's financial performance and financial and strategic review, for which the Special Committee was introduced (page 110). The Board also focuses on good governance, compliance, and risk management procedures and processes to ensure they are fully embedded across the Group and to ensure succession plans are in place throughout the organisation. The views and differing perspectives of the Group's stakeholders are also taken into account as part of Board discussions.

During the year, the Board and its Committees spent time considering a number of wide-ranging topics. These included:

- Development of the Group's strategic plan
- Deep dives on strategic initiatives
- Liquidity management
- Budgets and Group financial planning
- Financial and strategic review including the Financial Restructure
- Business performance
- Updates from key functions including Legal and Compliance, Health & Safety, Quality and Sustainability, Risk Management, and controls
- Financial Statements, including financial reporting matters
- Diversity, talent and succession planning
- Approving new project and contracts
- Shareholder feedback
- Regulatory and governance matters, including the proposed changes to the UK Governance Code
- Engagement with key stakeholders and the impact of Board decisions on such stakeholders
- Group culture and behaviours and the results of the employee engagement survey

The key activities of the Board are set out in the following charts.

Meeting attendance

Each year the Board has a full programme of scheduled meetings, which are supplemented with ad hoc meetings to review items of business that need to be addressed before the next scheduled meeting. During 2023, the Board held six scheduled meetings and 17 ad hoc meetings which were used to discuss progress on restructuring and refinancing. Details of Director attendance is set out below.

Directors are encouraged to engage actively and effectively during meetings, with scrutiny and constructive debate encouraged.

Our Non-executive Directors are able to seek clarification on key points from management when required.

Members of both the operational and functional management, one and two tiers below Director level, are also routinely invited to present the Board on matters under consideration. This allows specific matters to be brought to the attention of the Board and allows the Board to deepen their understanding at both local and functional levels, while gaining an awareness of specific nuances that may not always be obvious in written reports. This enhances the Board's knowledge of the business and also enables Directors to consider key individuals who have been identified through the succession planning process.

2023 Board calendar attendance

Directors	Board meetings (scheduled)	Board meetings (ad hoc)	Nomination Committee	Audit Committee	Remuneration Committee	Compliance & Ethics Committee	Special Committee
René Médori	6(6)	17(17)	3(3)	n/a	n/a	n/a	–
Sara Akbar	6(6)	16(17)	3(3)	6(6)	6(6)	n/a	–
Ayman Asfari	6(6)	17(17)	3(3)	n/a	n/a	n/a	5
Matthias Bichsel	6(6)	17(17)	3(3)	6(6)	6(6)	4(4)	–
David Davies	6(6)	15(17)	3(3)	6(6)	n/a	4(4)	–
Francesca Di Carlo	6(6)	15(17)	3(3)	n/a	6(6)	4(4)	–
Tareq Kawash[1]	4(4)	17(17)	3(3)	n/a	n/a	n/a	5
Afonso Reis e Sousa	6(6)	17(17)	3(3)	n/a	n/a	n/a	5
Aidan de Brunner[2]	–	2(2)	n/a	n/a	n/a	n/a	5
Sami Iskander[3]	2(2)	1(1)	–	–	–	–	n/a

1. Mr Kawash was appointed to the Board with effect from 1 April 2023.
2. Mr de Brunner was appointed to the Board on 4 December 2023.
3. Mr Iskander stepped down from the Board on 31 March 2023.

Corporate governance report continued
Board leadership and Company purpose continued

Governance framework

We believe our corporate governance framework underpins good governance practices and enables the Board and the Executive Committee to provide effective strategic leadership and stewardship of the Petrofac Group.

The Board

Provides leadership and direction to ensure long-term success by setting a sustainable strategy and overseeing its implementation. Provides rigorous challenge to manage and ensure appropriate processes are in place to monitor and manage enterprise risk and internal controls. Is responsible for the financial performance and overall corporate governance of the Petrofac Group, delegating certain matters to its principal committee, which report to the Board at every meeting.

Chair

Leads the Board and ensures effective communication flows between Directors, promoting an inclusive forum to facilitate effective contribution given to succession planning and composition. Is responsible for ensuring effective Board governance, overseeing the Board evaluation process. Ensures effective communication with stakeholders, enabling their interests to be represented at Board meetings.

Senior Independent Director

Works closely with the Chair, acting as a sounding board and confidant. Provides support and acts as an intermediary for other independent Directors. Meets annually with other Directors to appraise the Chair's performance, and on such other occasions as is deemed appropriate. Is available to meet stakeholders to answer questions that cannot be addressed by the Chair or Group Chief Executive.

Non-Executive Directors

Support executive management while providing constructive challenge and rigour. Bring sound judgement and objectivity to the Board's decision-making and review the integrity of the risk management framework and processes, financial information and controls, and share the skills, experience and knowledge from other industries and environments. Have prime roles in the Board composition and succession planning processes.

Group Chief Executive

Is responsible for the day-to-day management of the Group. Implements agreed strategy and objectives, sets goals and priorities. 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. Supported by the leadership team, has responsibility for driving execution of the Group's strategic aims. Maintains relationships with key external stakeholders, including investors, clients, and governments.

Chief Financial Officer

Has primary responsibility for all aspects of the Group's financial affairs. Ensures the Group has effective and a fully compliant financial control environment in place. Develops and implements the Group's finance strategy and funding. Manages the Group's financial risk, with responsibility for mitigating key elements of the Group's risk profile. Maintains relationships with key external stakeholders, including shareholders, lenders, banks, and credit rating agencies.

Secretary of the Board

Advises the Board on all governance, legislation, and regulatory requirements, as well as best practice corporate governance developments. Has responsibility for implementing the processes designed to ensure compliance with Board procedures. Facilitates the Board evaluation, induction and development processes. Available to individual Directors in respects of Board procedures to provide general support and advice.

Informs | **Reports**

Audit Committee
Chaired by: David Davies

Reviews and monitors the integrity of the Group'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 115–124**

Nominations Committee
Chaired 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.

COMMITTEE REPORT ON | **Pages 111–114**

Compliance and Ethics Committee
Chaired by: Francesca Di Carlo

Has oversight responsibilities for all areas relating to compliance and ethics. Provides assurance that the Group's compliance and ethics policies remain adequate and effective. Promotes the importance of compliance and ethics.

COMMITTEE REPORT ON | **Pages 125–126**

Remuneration Committee
Chaired by: Matthias Bichsel

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

COMMITTEE REPORT ON | **Pages 127–140**

Special Committee
Chaired by: Aidan de Brunner

The Committee is tasked with examining and implementing a range of strategic and financial options with the objective of materially strengthening the Company's balance sheet, securing guarantees, and improving liquidity.

COMMITTEE REPORT ON | **Page 110**

Informs | **Reports**

Executive management

Responsible for day-to-day operational management, the communication and implementation of strategic decisions, and administration matters. Identifies and reviews matters for recommendation to the Board and its Committees. Supported by management committees, including the Executive Committee (which also represents the Group Risk Committee), Third Party Risk Committee, Disclosure Committee and Guarantee Committee.

Stakeholder engagement

The Board places significant importance on establishing and maintaining dialogue with its stakeholders. In 2023, as the Board embarked upon the strategic and financial review, it sought to increase the regularity of its communication, and, as outlined on pages 26 to 28, management increased engagement with key stakeholder groups. The delay of the Group's full year financial results and temporary restriction on share dealing, was of course disappointing news to our stakeholders, who have continued to exercise patience following several turbulent years. As we move forward with our planned financial restructuring, the Board is committed to continuing engagement in order to better understand what matters to each stakeholder group and ensure Directors are kept informed of changes in the operating environment, as well as the broader market, which in turn can be factored into future strategic discussions.

Employee engagement is valued highly by the Board. Directors are active participants in the Petrofac Workforce Forum and are also kept informed on the outcomes of all employee engagement surveys. This continued engagement and the sharing of views throughout the year provides insight on the realities being faced by employees across the Group.

Open and constructive engagement with major shareholders and other investors is also considered vital, especially during the ongoing financial and strategic review (pages 8 and 9). These discussions support the Board to assess the potential impact of key decisions on the Group's wider stakeholder groups.

Section 172 arrangements

As a Jersey-incorporated company, Petrofac is not required to comply with Section 172 of the UK Companies Act 2006, which states that company boards have a duty to promote the success of their company for the benefit of their members as a whole, whilst having regard for the interests of all stakeholders, including employees, shareholders, suppliers and customers, the community and the environment. However, Petrofac is informed by UK practice and follows the UK Code which endorses this requirement.

In any event, we will always act in good faith to promote the long-term success of the Group for the benefit of all stakeholders and, when making any decisions, each Director is encouraged to act in the way they consider to best promote the Company's success for the benefit of its members as a whole. An overview of how and why we engage with key stakeholders and how we have considered their requirements relating to principal decisions taken during the year to ensure effective and continued engagement is set out on pages 26 to 28.

Share capital

The Company's ordinary shares are quoted on the London Stock Exchange, and at the date of this report, the issued share capital (and total voting rights) consisted of 525,373,758 ordinary shares. Details relating to the rights and obligations attached to the Company's ordinary shares are set out in the Company's Articles of Association.

The Company may purchase its own shares providing the shareholder resolution authorising the purchase specifies the maximum number of shares, the maximum and minimum prices which may be paid, and a date, not later than 18 months after the passing of the resolution, on which the authority to purchase is to expire. The Company will seek to renew its existing authority for this, which will expire at the conclusion of the 2024 AGM.

Annual General Meeting

Full details of this year's AGM are set out in the Notice of Meeting. All resolutions will be conducted on a poll, with the results announced to the market as soon as practicable after the meeting.

At last year's AGM, all resolutions were passed, with votes in support ranging from 72.63% to 99.97%. Shareholders unable to attend the AGM are reminded that they are able to submit questions in advance of the meeting at agmquestions@petrofac.com.

Investor Relations Programme

Our Investor Relations team acts as the principal focal point for contact, with an annual programme of meetings and presentations with existing prospective shareholders and other investors, as well as research analysts.

The Board believes that constructive engagement with major shareholders and other investors is critical, as it enables the Directors to better understand their views, while establishing and maintaining good relationships.

Directors attend meetings with major shareholders and other investors throughout the year, to facilitate direct lines of communication with management and the Board. Governance-specific meetings are also held for the Chair and Senior Independent Director, to allow them the opportunity to gain insights on governance matters from a shareholder perspective, and to hear directly from key investors on matters including succession planning and remuneration.

During 2023, we increased dialogue with shareholders, other investors and analysts, focused on both key operational matters and our ongoing strategic and financial review. Additional meetings were also held with our corporate brokers to better understand investor sentiment. Analyst research notes are regularly circulated to Directors, with brokers' reports submitted to Board meetings.

During 2023, over 200 meetings were held, with significant focus given to liquidity, refinancing and operational performance.

Response to shareholder voting less than 80%

While all resolutions submitted to the 2023 AGM were successfully passed with the requisite majority of votes, four resolutions received less than 80% of votes cast in favour. These included the resolution to approve the reappointment of Ernst & Young LLP as auditors, the resolution to approve the Directors' authority to allot shares, and the two resolutions to empower the Directors to disapply pre-emption rights.

In accordance with provision 4 of the UK Code, engagement was undertaken following the meeting to ascertain the rationale behind these voting outcomes. It was established that the votes against these resolutions were primarily the result of one dissenting shareholder with a significant holding. Further dialogue took place with this shareholder to better understand their specific concerns and to understand and discuss their views.

In response to these dissenting votes, the Company confirms that in relation to the reappointment of EY, a competitive audit tender will be undertaken at the end of their current term in 2024. With respect to the resolutions to allot shares and the disapplication of pre-emption rights, the Board notes that these resolutions are considered routine practice for UK listed companies and are within the Investment Association's Share Capital Management Guidelines and the Pre-emption Group's Statement of Principles. The Board continues to consider that the level of Directors' authority under these resolutions is appropriate to maintain flexibility and are in the best interests of the Company. The views of all shareholders are important to the Company and the Board remains committed to maintaining ongoing engagement with shareholders.

Corporate governance report continued

Board leadership and Company purpose continued

Deeds of indemnity

In accordance with our Articles of Association, and to the maximum extent permitted by Companies (Jersey) Law 1991, 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. The Group also 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 policies provide any cover where a Director or Officer is found to have acted fraudulently or dishonestly.

Disclosures required under Listing Rule 9.8.4 R

The information required to be disclosed in accordance with Listing Rule 9.8.4R of the Financial Conduct Authority's Listing Rules can be located on the following pages of this Annual Report and Accounts:

Listing Rule	Detail	Page Reference
9.8.4R (1-2) (5-14)	Not applicable	–
9.8.4R (4)	Long-term incentive scheme	131–132 139–140

Major shareholders

In accordance with DTR 5, information provided to the Company is published on a Regulatory Information Service at the time of receipt. The Company has received notification of material interests in voting rights over the Company's issued ordinary share capital.

This is set out in the table below:

Name	% of issued share capital as at 29 December 2023	% of issued share capital as at 16 May 2024	Nature of holding
A Asfari and family	17.04%	16.93%	Direct and indirect
AzValor Asset Management	16.88%	16.90%	Direct
Hargreaves Lansdown Asset Mgt	9.14%	9.04%	Indirect
Interactive Investor Services	7.38%	7.23%	Indirect
Petrofac Employee Benefit Trust	3.69%	4.45%	Direct and indirect
Perpetual	–	4.28%	Indirect
Halifax Share Dealing	4.71%	4.10%	Indirect
UCAP Bahamas	1.64%	3.35%	Indirect
EFG Bank AG	3.33%	3.24%	Indirect

Division of responsibilities

Board roles

The roles and responsibilities of our Directors are set out on page 106. All Directors are encouraged to be open and forthright in their approach as we believe this helps to forge strong working relationships, allowing them to make their best possible contribution. Our Non-executive Directors are also encouraged to share their experience, and each is well-positioned to support management, whilst providing constructive challenge.

Regular meetings between the Chair and Group Chief Executive are held throughout the year, allowing general matters to be discussed and enabling them to reach a mutual understanding of each other's views. The Chair and SID also maintain regular contact between scheduled Board meetings, with time also set aside at each meeting for the Chair to meet with the Non-executive Directors without the presence of management.

The relationships between these roles are important, as these individuals represent the views of both management and Directors, respectively. The combination of these meetings ensures that the Chair is fully informed of all views, which assists in setting agendas and ensures all Directors can contribute effectively through their individual and collective experiences.

Dealing with potential conflicts of interest

Should a potential conflict of interest arise during a term of appointment, processes and procedures are in place for Directors to identify and declare any such conflict, whether matter-specific or situational. The Company's Articles of Association permit the Board to authorise such conflicts, which can be limited in scope. Notifications are required to be made by the Director concerned prior to or at a Board meeting, and all Directors have a duty to update the whole Board of any changes in personal circumstances. During 2023, there were no conflicts of interest reported and all conflict management procedures were adhered to and managed effectively.

Board composition

At the date of this report, the Board has nine Directors, comprising the Chair (who was independent on appointment), five independent Non-executive Directors, one non-independent Non-executive Director and two Executive Directors. Their full biographies are detailed on pages 102 and 103. All Board appointments are subject to a formal and rigorous procedure led by the Nominations Committee. Details of the work undertaken by this Committee during 2023 is set out on pages 111 to 114.

Composition, succession, and evaluation

The appointment and replacement of Directors is governed by the Company's Articles of Association, the UK Code, the Companies (Jersey) Law 1991 and related legislation. The Directors may from time to time appoint one or more Directors to the Board and any person may be appointed to be a Director. Under the Articles, any such Director shall hold office only until the next AGM where they will stand for annual election.

Directors' skills and experience

Each of our Directors has a varied career history, and considerable effort has been taken to ensure that the Board retains the right balance of skills, capabilities, knowledge diversity, and industry expertise to ensure we are able to run the business effectively and deliver sustainable growth. The Board skills matrix on page 108 details key skills and experience identified as necessary for oversight of the Group and the effective execution of our strategy.

Board evaluation

The Board understands the benefits of annual performance evaluations, both for Directors on an individual basis, as well as for the Board as a whole. It continually strives to improve its effectiveness and believes these evaluations can provide a valuable opportunity to highlight recognised strengths and identify any weaknesses, thereby driving continuous improvement.

Our annual Board evaluation provides the Board and its Committees with an opportunity to reflect on how it operates and consider the quality and effectiveness of its decision-making, the range and level of discussion, and for each member to consider their own contribution and performance. The UK Code also requires the Board to undertake a formal and rigorous annual evaluation of its performance and that of its committees, with a provision requiring that this be externally facilitated every three years. The Board's external evaluation, in accordance with our three-year cycle, took place in 2022 and the outcomes and actions arising from that review are set out below.

2023 Board evaluation – review process

In accordance with the UK Code and our three-year cycle, this year's review of the Board's effectiveness was facilitated internally by the Chair and the Secretary to the Board. Building on the work completed following the external evaluation, detailed questionnaires were created for the Board, with all Directors and regular meeting attendees requested to respond in December 2023.

The questionnaires covered a broad range of issues and enabled participants to provide comments on all aspects of performance, including matters such as: Board and Committee composition; meeting conduct; strategy and culture; risk management and internal controls; measuring and monitoring performance; content and scope of topics covered at meetings; the nature and dynamics of Director contributions during meetings; and stakeholder engagement.

These topics aimed to address issues raised in previous evaluations, where participants were asked to score each statement and provide written comments, including areas for improvement. The responses were collated and provided, on an anonymous basis, to the Chair. This enabled him to discuss the outputs with Directors and to assess performance and contribution, identifying development areas for individuals and the Board as a whole. The Senior Independent Director also led the Non-executive Directors in a review of the Chairman's performance, with feedback provided directly.

The results of this review were presented in a detailed report to the Board in early 2024, with key areas of focus identified, including the Financial Restructure and resulting Board structure and composition.

Following completion of the evaluation process, the Board remains satisfied that it continues to operate effectively and believes the Directors are performing well as would be expected within their roles.

The Board performance evaluation cycle

2022 External evaluation	**2023** Internal evaluation	**2024** Internal evaluation
Facilitated by Independent Audit, an advisory firm who works with many FTSE companies in numerous areas of governance including board evaluation and who have no other connection with the Company. Final report presented to the Board in February/March 2023, with actions reviewed throughout 2023.	Facilitated by the Chair and the Secretary to the Board, by way of confidential self-evaluation questionnaires. Results collated and presented to the Board in March 2024. Action plan to be agreed and reviewed throughout 2024.	Facilitated by the Chair and the Secretary to the Board. Further details will be provided in the next Annual Report.

Progress against the actions arising from the 2022 external effectiveness review

The 2022 external evaluation recognised that in the immediate term, the Board's focus would be on dealing with urgent business challenges and this has been the case as evidenced by the work undertaken to evaluate options identified through the financial and strategic review and implement the Financial Restructure.

Board composition

There have been a number of changes to Board composition during the year. In April 2023, Tareq Kawash was appointed Group Chief Executive, replacing Sami Iskander who stepped down at the end of March. In December we welcomed Aidan de Brunner as an independent Non-executive Director to the Board, to drive engagement with finance providers, investors and other stakeholders. We continue to review the Board's collective knowledge, skills and experience to highlight areas for further development and to enhance our effectiveness.

Management engagement

Executive Committee meetings are held between Board meetings as a vehicle to communicate and connect the work of the Board and executive management. Input is gathered on key agenda items for the next meeting.

Meeting formats

Executive summaries and consistent formatting of presentations are used, with standardised committee and executive session reporting. Focus is given to generative discussions in the boardroom.

Employee engagement

The Board monitors employee engagement in a number of ways: through Board and committee management reporting; our workforce engagement forums; employee survey results; and monitoring of progress made on our diversity and inclusion strategy and targets. Through these engagement surveys, the Board and the Executive Committee analyse the results and develop action plans for improvements.

Special Committee report

The Special Committee

On 4 December 2023, the Board established a Special Committee of the Board. The Committee is tasked with examining and recommending for implementation a range of strategic and financial options with the objective of materially strengthening the Group's balance sheet, securing guarantees, and improving liquidity (the Financial Restructure).

Committee responsibilities

The primary responsibilities of the Committee are:

- Review all Financial Restructure work-streams, ensuring the key stages in the Financial Restructure plan are running in accordance with the overall Financial Restructure timetable and are authorised to take all necessary actions to ensure the successful implementation of the timetable
- Review the preliminary business plan, including all drafts, with the objective of finalising the business plan for approval by the Board
- Review and monitor the liquidity performance, including key risks and opportunities which may impact the liquidity profile of the Group and agree any remedial actions in conjunction with senior management
- Review the most recent cash flow forecasts and any significant cash commitments, including cash flow timings in conjunction with major contractual obligations to ensure the appropriate levels of liquidity are available
- Review the status of client contracts which may have a significant impact on the liquidity performance of the Group
- Review any feedback from negotiations with bondholders, shareholders, lenders, and other key stakeholders
- Review of all circulars and prospectuses required as part of the Financial Restructure timetable, ensuring such documentation is recommended to and approved by the Board
- Review all legal, tax or regulatory advice from the Group General Counsel and from the external advisor panel
- Review and approve the Financial Restructure budget and agree any further expenditure deemed necessary to support the objectives of the Financial Restructure
- Ensure that all strategic planning and decision making undertaken throughout the Financial Restructure lifecycle is in accordance with the Directors' duties in distressed situations

Committee membership and governance

The Committee membership consists of Aidan de Brunner, an Independent Non-executive Director, Ayman Asfari, a Non-executive Director, Tareq Kawash, Group Chief Executive and Afonso Reis e Sousa, Chief Financial Officer, whose expertise and experience is set out on pages 102 to 103. The Committee meets twice a week with senior management and external advisors, ahead of providing regular progress updates to the full Board or one-to-one sessions with individual Board members on topics which may require a deeper dive.

The status of the Financial Restructure

The context and status of the Financial Restructure can be found on pages 8 and 9.

Activities of the Committee

The activities undertaken by the Committee since its establishment are:

Liquidity management	At each meeting, the Committee, together with the senior management and support from external advisors, has monitored the current liquidity profile of the Group alongside a medium-range liquidity forecast. The Committee has also discussed the management of significant liquidity events and how it drives a priority payment process for the management of payables.
Shareholder and new equity investor engagement	Committee members have undertaken numerous international meetings with several major shareholders and potential new equity investors, to seek their support for refinancing options. At these meetings, Committee members have outlined the Group's business plan and solutions designed to strengthen the Group's balance sheet.
Creditor engagement	Committee members have had numerous conversations with existing and potential new lenders, aimed at extending current loan facilities, providing financial guarantees, and improving liquidity. The Committee has also had regular discussions with the bondholders of the Company, and their representatives.
Risk assessment	The Committee has regularly reviewed and challenged the Financial Restructure risk assessment which ranks risk factors including, inter alia, liquidity and key stakeholder support.
Potential sale of non-core assets	The Committee has initiated and assessed potential sales processes for non-core assets, to help generate additional liquidity.
Engagement with the Board	The Committee has provided regular updates to the Board on the progress of the Financial Restructure, outlining liquidity management matters, progress with stakeholder discussions, the status of potential disposals of non-core assets, consideration of Directors' duties and supplier issues.

Nominations Committee report

RENÉ MÉDORI
Chair

Membership:

Chair: René Médori

Committee members:
Sara Akbar, Ayman Asfari, Matthias Bichsel, David Davies, Francesca Di Carlo

How the Committee spent its time during the year:

Governance/other	27%
Board composition	31%
Diversity and inclusion	11%
Talent development	31%

Role and 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

Dear Shareholder

This report provides an overview of the work of the Nominations Committee and its activities during the year.

The Committee takes the lead on all Board and Committee appointments, which includes the process for identifying and nominating suitable candidates, and so ensuring Petrofac has the right balance of skills, experience, and diversity of thought to help achieve its strategic objectives.

Director changes

As reported in the 2022 Annual Report, following a formal recruitment process, Tareq Kawash was appointed as Group Chief Executive with effect from 1 April 2023, following the departure of Sami Iskander, who stepped down from the Board on 31 March 2023. Tareq's prior experience, knowledge, impressive EPC track record, business development expertise and personal strengths were all taken into consideration during the recruitment process, and it was agreed by the Committee that he would be a strong addition to the Board as the Company embarks on the next phase of its return to growth.

On 4 December 2023, the Board approved the appointment of Aidan de Brunner as a Non-executive Director. Aidan brings over 20 years of board, management, investment, and financial advisory experience gained across a variety of global businesses. His full expertise and experience can be found in his biography on page 103.

Aidan has committed for a limited period to support the Board through engaging with financial providers, investors, and other key stakeholders in an active review of strategic and financial options to deliver on the Group's potential following its most successful period for new awards in many years (see Financial Restructure on pages 8 and 9).

Aidan chairs the Special Committee of the Board, which is tasked with examining a range of strategic and financial options with the objective of materially strengthening the Group's balance sheet, securing guarantees, and improving liquidity.

Nominations Committee report continued

Director composition and re-election

Each of our Directors has a varied career history, and considerable effort has been taken to ensure that the Board retains the right balance of skills, capabilities, knowledge, diversity and industry expertise to ensure we are able to run the business effectively and deliver sustainable growth. A process to identify new Non-executive Directors who could join the Board during 2024 has commenced to allow for effective succession for those Directors who are reaching or have reached their tenure limits.

The Committee monitors the external commitments of our Non-executive Directors who, from appointment, commit to allocating sufficient time to discharge their responsibilities effectively. The Committee also considers potential conflicts of interest, external time commitments, and residency status. In line with the findings of our internally facilitated Board effectiveness review, and supported by their biographies, the Board believes that the re-election at the 2024 AGM of all Directors is in the best interests of the Company.

Board effectiveness

The Board believes that continuous training and development supports good Board effectiveness. The Company is committed to offering tailored training to provide Directors with the necessary resources to refresh, update and enhance their skills, knowledge, and capabilities. With the ever-evolving regulatory landscape in which the Group operates, it is critical that the Board remains aware of recent and upcoming developments in the wider legal and regulatory environment.

To this end, the Secretary to the Board regularly updates the Board on the governance, legislative and regulatory matters that may impact the Group and, where relevant, briefings from external advisors on a variety of strategic and significant topics are provided. Our Board evaluation process this year was internally facilitated and details on the actions arising from this review are set out on page 109.

Induction programme

On appointment to the Board, all new Directors undertake a detailed, tailored, comprehensive induction programme. This 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, thus ensuring each Director is fully prepared for their new role, taking their background and experience into consideration.

Tareq Kawash's induction programme commenced in early 2023 and, having considered his key strengths, the focus areas for his induction were determined and agreed to better understand the Group. An overview of this programme is set out on page 114.

Succession

Succession planning for senior management remains a key focus area for the Committee. Significant interest is taken in the development of the Group's future leaders and, on a regular basis, the Committee considers those employees who have been identified as high-potential talent from across the Group.

In January 2023, the Board met with a selection of such employees to gain a deeper understanding of their experiences and the challenges being faced.

At three separate committee meetings during the year, the Committee met to discuss detailed succession plans for the junior, middle and senior management populations in the company world-wide. These meetings discussed: performance and potential ratings; areas of succession weakness, plans to improve our diversity (gender and local nationals) etc. This process is integral to the Group'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.

A key focus has been to develop employee skills and capabilities, with the progression of emerging talent reviewed on a regular basis, not only to check that appropriate processes are in place to identify and monitor future potential leaders, but also to allow the Committee to discuss such talent on an individual basis.

My own succession was discussed during 2022 and in early 2023, as my tenure reached the maximum threshold set out in Provision 19 of the UK Corporate Governance Code.

Following the change in Group Chief Executive, the Committee proposed that I should remain as Chair to provide continuity on the Board, as it was felt that it would be inappropriate to consider a change of Chair at the current time, with the requirements to maintain a stable and experienced Board considered paramount while the Group continues to implement its strategic and financial review.

The formal process to find a suitable successor will be headed by Matthias Bichsel as Senior Independent Director and this will commence during 2025.

Employee Engagement

The Committee reviewed the outcome of our annual employee engagement survey and were pleased to see both a record 'employee satisfaction' score (88%) and a record participation rate (77%). Nevertheless, the Committee recognised areas of the survey where the scores were below average and they instructed management to put appropriate action plans in place.

We established the Petrofac Workforce Forum in 2019, whereby 12 employee representatives from around the world were directly elected by the workforce for a three-year term. Following completion of their term, further elections were held in early 2022. The Committee met with the Workforce Forum twice in 2023, in addition to management meetings held with local representatives. We continue to view the Forum as a valuable source of insight on employee experiences and concerns. We look forward to further engagement in 2024.

Diversity and inclusion

Diversity and inclusion continue to be focal points for the Committee and it is acknowledged that diversity is not just about improving the levels of female representation throughout the Group and addressing the gender imbalance, but in developing a diverse workforce and an inclusive working environment, irrespective of gender, race, colour, religion, sexual orientation or marital status to create a workplace that celebrates the diversity of all employees and stakeholders.

The Committee considers diversity and inclusion to be significant factors in the Company's success, believing that an inclusive and diverse workforce promotes productivity and wellbeing, and underpins our ability to attract and retain employees that is reflective and representative of our core geographies and of the communities in which we operate. Throughout the year, the Committee continued to provide oversight to ensure effective strategies are in place that will develop and strengthen our talent pipelines and promote a culture that upholds the Group's principles of inclusion, diversity and equality.

We have been pleased to see progress made on a number of fronts in recent years. In 2019, our Hampton Alexander score (now FTSE Women's Leader index) which measures the % of women on our Executive Committee or those who are direct reports to our Executive Committee stood at 6.3%. This has increased dramatically since 2019 and in 2023 we achieved our highest score to date at 30.5%. This meant we achieved our target of 30% of senior leaders being women two years ahead of our 2025 target.

Similarly, the number of women in our global workforce has grown from 10% in 2019 to 16.7% in 2023. We have also set a number of targets around increasing the number of women in middle management positions to provide a diverse pipeline of future talent.

We have also sought to increase the number of local nationals in senior management positions as we seek to represent the communities in which we operate. The number of local nationals in these positions has trebled in the last four years.

While significant improvements are being seen, it is recognised that work remains to be done across the organisation. Notwithstanding that engineering and construction continue to be predominately male-dominated professions, we are determined that further progress can be made over the coming years. We appreciate there are long-term challenges to overcome, but we are pleased with the improvements that have been seen in respect to diversity within the Group's talent pipeline in recent years.

The Board has had a Diversity & Inclusion policy in place since 2016 (which was updated in 2022).The policy aims to set measurable objectives which drive continuous improvement on all elements of diversity. The selection of candidates to join the Board will continue to be made based on merit and on the individual's ability to contribute to the effectiveness of the Board, with all appointments and succession plans intended to promote diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths.

A copy of our Board diversity policy can be found at petrofac.com/media/download-centre/publications. Further information on our approach to diversity and inclusion and the many initiatives introduced to promote and drive the diversity agenda and develop our diversity strategy throughout 2023 are set out on pages 37 and 60.

The Committee acknowledges the changes to the FCA Listing Rules (LR 9.8.6R(9)), which relate to enhanced disclosures in gender and ethnic diversity at board level. These changes recommend that boards and leadership teams have a minimum of 40% women by the end of 2025, and further, that at least one of the roles of chair, chief executive, senior independent director or chief financial officer is held by a woman. In addition, there is a requirement to have at least one individual on the board from a minority ethnic background.

As at 31 December 2023, the Company had not met these gender diversity targets, but had achieved the target relating to having at least one individual on the Board from a minority ethnic background.

The Committee has confirmed it will consider these gender and ethnic requirements as part of its succession planning processes, especially in relation to vacancies that will arise in the senior Board positions over the coming years.

RENÉ MÉDORI
Chair
31 May 2024

Nominations Committee report continued

In accordance with LR9.8.6(10) of the FCA's Listing Rules, the following tables detail the diversity profile of the Board and the Executive Committee as at 31 May 2024:

Gender Identity or Sex	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	7	78%	4	10	83%
Women	2	22%	0	2	17%
Other categories	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Ethnic background	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other white (including minority-white groups)	5	56%	2	9	75%
Mixed/Multiple ethnic groups	1	11%	1	1	8%
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/ Black British	–	–	–	–	–
Other ethnic group, including Arab	3	33%	1	2	17%
Not specified/prefer not to say	–	–	–	–	–

Tareq Kawash's induction programme started in early 2023 following his appointment as Group Chief Executive. An overview of this programme is set out below:

Governance highlight

Group Chief Executive induction programme

Strengths

- Over 30 years' experience in the engineering and construction industry
- Extensive experience of living and working in the Middle East
- Broad commercial experience
- Strong experience of business development, operational and project management

Focus areas

- Increase knowledge of Petrofac
- Meet with senior management teams across the Group
- Increase understanding of the role and duties of a Jersey director of a UK-listed company

Induction programme

- Individual meetings with Non-executive Directors
- Individual meetings with Executive Committee members and their direct reports
- Deep dives on all current projects
- Visiting all key operational offices, including Sharjah, Aberdeen, Woking, Muscat, Chennai and Mumbai
- Client visits in the UAE, Oman, Thailand, Algeria and Lithuania throughout 2023
- Meetings with key advisors, including corporate lawyers, brokers, PR consultants and remuneration consultants
- Attendance at the Company's Workforce Forum meetings in May and December 2023

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Audit Committee report

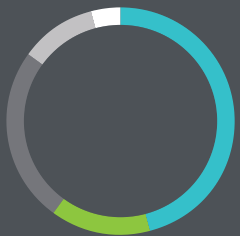
DAVID DAVIES
Chair

Membership:

Chair: David Davies

Committee members:
Matthias Bichsel, Sara Akbar

How the Committee spent its time during the year:



Financial statements and reporting	46%
External auditor	14%
Risk management, internal control and going concern	25%
Governance matters	11%
Other	4%

The responsibilities of the Committee are to:

- Monitor the Group's financial reporting processes and the integrity of the Group's financial statements, including the review of significant financial reporting judgements and estimates, and narrative disclosures
- Monitor the Group's risk management system, review the principal risks and the management of those risks
- Provide advice to the Board on whether the Annual report and accounts, taken as a whole, is fair, balanced and understandable and on the appropriateness of the Group's assessment of going concern and the long-term viability statement
- Review and monitor the external auditor's independence and objectivity and the effectiveness of the external audit
- Review and monitor the Group's internal controls framework, risk management processes and the effectiveness of the Group's Internal Audit function, including key financial, operational and compliance controls
- Monitor risk exposures and future risk strategy, including the strategy for capital and liquidity management, IT risks (including data privacy and cyber risks) and climate-related risks

Objective

The objective of the Committee is the provision of effective governance over the appropriateness of financial reporting of the Group, including the adequacy of related disclosures, the performance of both the Internal Audit function and the external auditor and oversight of the Group's systems of internal control, business risks and related compliance activities.

Dear Shareholder

I am pleased to present this year's Audit Committee report, which provides an overview of how the Committee operates, an insight into the Committee's activities during the year and its role in ensuring the integrity of the financial statements and the effectiveness of its risk management, controls and related processes.

The Committee met six times during 2023 and the attendance by members at meetings can be seen on page 105. Each meeting agenda included not only standing items but also a range of topics across the Committee's areas of responsibility.

- At the March meeting we considered the assessment of the effectiveness of the Company's risk management and internal control systems. This was principally to support the statement in the 2022 financial statements that "the Board is satisfied that sound risk management and systems of internal control have been in place across the Group throughout 2022…" but also to prepare for the proposed audit and governance reforms.

Audit Committee report continued

- At the April and August meetings we considered the anticipated financial reporting matters impacting the year-end and half-year reports. Our work included reviews of goodwill impairment testing, taxation judgements and uncertain tax exposures, key judgements and estimates, the treatment of separately disclosed items and the Company's work on going concern and the long-term viability statement. At the April meeting, we also considered the impact of the deficiency in controls in respect of the Thai Oil Clean Fuels contract and the additional assurance activities undertaken to satisfy ourselves that there were no other similar occurrences. We additionally considered the Annual Report and accompanying announcements, prior to the Group's results release. At our August meeting, we also reviewed the half-year results announcement.
- We also performed deep dive reviews in respect of the interim and full year financial statements which challenged the going concern and viability statements and their underlying assumptions and evidence. Using extensive financial modelling we focused on the impact of operational challenges, the liquidity position of the Group, the headroom against committed facilities and compliance with financial covenants. The Committee questioned management and sought assurance on the adequacy of the contract contingencies included in forecast costs to complete any current projects. Taking into consideration the detailed analysis undertaken, the Committee was satisfied that the going concern and viability statements remained appropriate.

  The Committee also considered the control environment, regulatory compliance and assurance activities including the effectiveness of the Risk Management function.
- In May and November the Committee received updates from management in relation to insurance, principal risks and internal audit matters and challenged the Group's internal controls framework, risk management processes and key financial, operational and compliance controls.

After the year end, the Committee met a further four times to consider the matters that were relevant to the conclusion of the year end audit and the approval of the 2023 financial statements. This included routine elements related to the completion of the financial statements and the associated audit (such as key judgements and estimates, uncertain tax exposures and reviews of impairment testing), in addition to discussing the Internal Audit report and the annual Treasury Risk Management Policy review. Furthermore, there was significant consideration and review of the ongoing Financial Restructure (pages 8 and 9) and its impact on the Director's going concern assessment, as well as the implications of the control deficiencies identified during the year (as detailed below) and the results and conclusions of the additional assurance activities undertaken in response to these deficiencies. After carefully considering all supporting evidence, the Committee was satisfied on the appropriateness of the going concern and viability statements, and the effectiveness of the Group's overall control environment (including the additional assurance activities) and the Risk Management function.

Disappointingly, there are two prior year adjustments reflected in the financial statements.

In respect of the most significant adjustment, work undertaken in the year by the Company's assurance and compliance teams, in response to enquiries from the Group's auditor, highlighted necessary improvements in relation to the adequacy of information flows within the business, and in particular information flows as part of the year end finalisation process. The deficiency in the Group's internal controls identified from this work was similar in nature to that highlighted in last year's report. An error occurred during Q1 2023 whereby updated third-party quantum expert advice in support of our claim for a variation on one of our E&C contracts was not reported by our legal teams to our finance team and E&C management or to the auditor, at the appropriate time. There was insufficient follow-up on the matter by the legal and E&C finance teams in the post balance sheet event period, and therefore, appropriate evaluation of this update did not occur ahead of the issuance of the 2022 financial statements.

Following the findings, the Group's Investigations Team (GIT) concluded that, in the absence of conclusive evidence of intention to mislead, the error occurred as a result of inadequacies of matter management and judgement, stemming from a lack of clarity and awareness of year end processes. The GIT also identified control improvements which have been implemented, including with respect to closer involvement of the Group Legal teams supporting the AVO assessment process and in the PBSE year end process. Enhanced training will be provided to key functional teams on these processes and the effect of the enhancements.

The resulting prior year adjustment of a reduction in revenue of US$24 million has been reflected in the comparative income statement in this year's consolidated financial statements.

The other prior year adjustment was in respect of tax provision releases in certain jurisdictions and errors in translating foreign currency balances totalling US$14 million which were identified as relating to the previous year.

Additionally, two incidents were identified by the Company in Q1 2024 during the PBSE period. First, members of a commercial team were found to have inappropriately edited and shared externally a legally privileged document produced by third party advisors. This manipulated document was then also provided to the Company's auditors during the 2023 audit. The amendments had no impact on the financial statements, but the manipulation was a clear breach of the Group's documented processes and controls, as well as the Code of Conduct that applies to all employees.

Second, individuals in one business unit were found to have inappropriately suppressed the recording of cost growth on an EPCC contract, as well as not following the appropriate processes and procedures for the release of contract contingencies on other contracts they managed. These incidents were identified through the Group's controls framework and the financial statements presented were updated appropriately.

The Board and management responded to these incidents by immediately instructing the Group Investigations Team, supported by external advisors, to investigate and act swiftly upon the findings. The investigation also covered a number of contracts not directly relevant to the individuals concerned, to provide comfort that such practice was not widespread; no evidence was found to suggest this. The Board and management are committed to identifying the root cause of such ethics breaches, informed by the findings of the investigations, and will oversee a programme of work to address the cultural, behavioural or organisational design issues that may have contributed to the incidents. Executive management has communicated with the wider organisation about the incidents to reinforce core expectations in relation to culture and conduct.

In conjunction with these investigations, the Board sought additional independent assurance in relation to these control deficiencies and instructed external advisors to perform additional procedures. They undertook a review which focused on a sample of EPC contracts that were underway during the year, and reviewed revenue and cost information, electronic communications, and undertook fact finding interviews with key individuals within the business related to those contracts.

The advisors did not identify any further instances of document manipulation, but did identify a number of areas of improvement which will be addressed with the Board's full support in the coming months.

In respect of the errors and control breaches identified, the additional assurance activities undertaken included confirmations from all project directors, key support functions and divisional management that any information identified or received post year end was appropriately reflected in the financial statements. Additionally, this included testing the integrity of a material sample of third-party documentation relied upon by the Board and management to conclude the preparation and approval of the financial statements, including all examples in the same division. Finally, emails and cost reports from a number of additional contracts were reviewed to ensure no other such incidents could be identified.

In light of the findings noted above, the Committee carefully considered the assessment of the overall effectiveness of the Company's risk management and internal control systems. Whilst the incidents noted reflect control deficiencies, the findings of the associated investigations (supported by independent external advisors) concluded that the incident in respect of inappropriate information flow was as a result of individual poor judgement rather than any systemic process failure. Furthermore, none of these investigations identified any other such occurrences of any of these control deficiencies in the broader contract portfolio. Therefore, as a result of the comfort gained from both the work completed by the GIT supported by the independent external advisors and the additional assurance activities, the Committee concluded that our risk management framework and processes, supplemented by the additional investigations and assurance activities, operated overall as expected to identify and assess possible responses to the principal risks and uncertainties faced by the Group.

Another key focus during the second half of 2023 and 2024 to date has been the ongoing Financial Restructure, which is detailed in full on pages 8 and 9. This is critical to strengthen the Group's balance sheet, improve liquidity and help secure both performance and advance payment guarantees, and to enable the Group to continue as a going concern. All of these are essential to help deliver the Group's secured awards in 2023, in addition to future new contracts.

The Director's assessment of the Group's risk management and internal control processes are detailed elsewhere in this report (page 120) whilst their assessment of the going concern and viability is covered on pages 123 and 124. This concluded that the Directors believed that there are reasonable prospects that the Group will maintain liquidity in the period up to the implementation of the Financial Restructure, will successfully implement the Financial Restructure and have access to guarantees on normal commercial terms following the Financial Restructure, and that therefore, the going concern basis of preparation remained appropriate, albeit with a number material uncertainties clearly disclosed.

However, due to the uncertainties remaining in the successful implementation of the Financial Restructure and the inter-conditionality therein, the Directors note that despite completing all of their year-end audit procedures, the auditors have concluded that they are unable to obtain sufficient appropriate audit evidence to support the assumptions that a successful restructuring is achievable in the necessary timeframe and have therefore disclaimed the audit opinion on these financial statements. Additionally, as a consequence of this disclaimer in respect of going concern, in line with ICAEW guidance, the auditors are also required to state a limitation of scope in respect of the Company's accounting records in this regard.

A key role of the Committee is to provide positive assurance to the Board that it is satisfied that the Annual report and accounts, when taken as a whole, are fair, balanced and understandable and provide shareholders with the sufficient and appropriate information to enable them to assess the Group's position, performance, business model and strategy. Disclosures have been enhanced this year in respect of the ongoing Financial Restructure and the resulting going concern assessment, to make it clear for all stakeholders as to the various elements of the restructure, the associated inter-dependencies and the criticality of completing it. Our review process, which confirms the Committee is content to provide this assurance, is set out on page 120.

Looking ahead, in addition to fulfilling its normal programme of activities during the year, the Committee will be closely monitoring the progress of the Financial Restructure and the macroeconomic and other conditions affecting the Group's strategy and pipeline. The Committee will continue to maintain its focus on significant judgements and estimates impacting financial reporting whilst work will also continue to ensure the Group is fully compliant with any new regulations as and when they come into force.

Our external auditor Ernst & Young (EY) continues to provide robust challenge to management and its independent view to the Committee on specific financial reporting judgements and the control environment.

I would like to thank my fellow Committee members, other Directors and the management team, and the internal and external auditors for their continued support, for the open discussions held, and for the contributions provided in the support of the Committee's work throughout the year.

DAVID DAVIES
Chair of the Audit Committee
31 May 2024

Audit Committee report continued

Role and governance of the Committee

The objective of the Committee is the provision of effective governance over the appropriateness of financial reporting of the Group, including the adequacy of related disclosures, the performance of both the Internal Audit function and the external auditor and oversight of the Group's systems of internal control, risk management and related compliance activities.

Committee meetings normally take place the day before Board meetings. The Committee Chair reports to the Board on the activity of the Committee and matters of particular relevance. The Board has access to the Committee's papers and receives copies of the Committee minutes. The Chair also meets regularly with the external lead audit partner during the year, outside of the formal Committee process.

The Committee's Terms of Reference are available on the Petrofac website, petrofac.com.

At the date of this report, and throughout 2023, the Committee comprised independent Non-executive Directors who are all considered appropriately qualified and experienced to fulfil their duties having held senior roles across several sectors. David Davies has significant, recent and relevant financial experience, whilst Matthias Bichsel and Sara Akbar have competence and extensive expertise relevant to the Group's sector. Members have also gained further knowledge and experience of the sector as a result of their Board membership and through various in-person and virtual site visits since their respective appointments.

Furthermore, all members of the Committee have extensive general management and commercial expertise.

Read more about the skills and experience of Committee members on pages 102 to 103.

Frequency of Audit Committee meetings

The Committee met six times during 2023, and four times so far during 2024. For the Directors' attendance in 2023, see the table on page 105. Invitations to attend meetings are normally extended to the Group's external auditor, the Chair, the Group Chief Executive, the Chief Financial Officer, other members of the Board, the Group General Counsel, the Director of Group Finance, the Head of Audit and the Chief Compliance Officer. The Committee also meets with the external auditor and the Head of Audit without management present.

External audit

Ernst & Young LLP (EY) continued as the Group's global external auditor throughout 2023.

The Committee has primary responsibility for overseeing the relationship with EY. This includes the effectiveness of the external auditor on an ongoing basis, making the recommendation on the appointment, reappointment, and removal of the external auditor, assessing its independence on an ongoing basis, and approving the statutory audit fee, the scope of the statutory audit and the appointment of the lead audit engagement partner.

EY presented to the Committee its detailed audit plan for the 2023 financial year, which outlined its audit scope, planning materiality and its assessment of key audit risks. The identification of key audit risks is critical in the overall effectiveness of the external audit process.

Independence and objectivity

The Committee remains satisfied, through its own observations and enquiries, as well as the interactions with the Executive team and senior management throughout the year, with the independence and objectivity of the external auditor and the effectiveness of the audit process.

In making this assessment, the Committee gave due consideration to: (i) views and recommendations from management and the Head of Audit; (ii) the execution of the audit plan; and (iii) the Committee's own experiences, including interactions with the external auditor, throughout the year. Key criteria of the evaluation included: professionalism in areas including competence, integrity and objectivity; constructive challenge of management and key judgements; efficiency, covering aspects such as service level and innovation in the audit process; thought leadership and value added; and compliance with relevant legislative, regulatory and professional requirements.

Effectiveness of the external audit process

The Committee reviewed the quality of the external audit process during the year and considered the performance of EY. This comprised the Committee's own assessment and those of senior Group personnel. Based on these reviews, the Committee concluded that there had been appropriate focus and challenge by EY on the primary areas of the audit and that EY had applied robust challenge and scepticism throughout the audit.

During 2023, the audit scope included management's judgements and estimates concerning fixed-price engineering, procurement and construction contracts; the identification and rectification of deficiencies in internal controls; robustness of management's going concern and viability statement assessments and disclosures (especially in light of the ongoing Financial Restructure); impairment assessments and fair value remeasurements; HMRC's challenge to the historical application of national insurance contributions; uncertain tax treatments and presentation of the separately disclosed items. During 2023 and 2024 to date, significant work was undertaken to review the investigations related to the compliance matters noted on pages 116 to 117, as well as the additional assurance activities completed thereafter.

EY non-audit and audit fees

To preserve the independence and objectivity of the external auditor, the Group has a non-audit services policy that restricts the nature of non-audit services that can be provided by the external auditor. This policy was last reviewed and amended in 2020 to reflect the FRC's latest Ethical Standards and the more restrictive list of services that are now permitted for an equivalent UK company with a premium listing. The policy provides clear definitions of the services that our external auditor may and may not undertake. A summary of this policy is set out below, while a copy of the full policy can be found at petrofac.com.

To ensure compliance with the policy, the Committee reviews the Group's cumulative non-audit expenditure each year and gives prior approval to the appointment of EY before any work is carried out should the nature or size of the proposed work require it. The Committee is satisfied that EY's objectivity and independence was not impaired during the year by any non-audit service agreements and confirms there were no breaches to the policy during 2023. In addition, EY has confirmed that it was compliant with FRC Revised Standard 2019 in relation to the audit engagement.

Service provided	**Fees in 2023 (US$m)**	Fees in 2022 (US$m)
Group audit fee	**5**	4
Audit of subsidiaries' accounts	**2**	1
Other including non-audit services	**–**	–
Total	**7**	5

In 2023 EY received total fees of US$7 million (2022: US$6 million) consisting of US$7 million of audit fees (2022: US$4 million), and US$0.1 million for non-audit and audit-related services (2022: US$0.1 million). The total of EY's non-audit and audit-related service fees in the year equated to 2% of the audit fees for 2023 and 2% of the average audit fees for the last three years.

Fees paid to EY are set out in note 5 to the financial statements. There was no significant non-audit work undertaken during the year.

All engagements during 2023 were pre-approved by the Chief Financial Officer or by the Chair of the Committee and did not include any activities defined as prohibited services by the Group's non-audit services policy. In addition, and in parallel, EY performed similar safeguarding procedures to ensure that the proposed non-audit engagements could be accepted.

Non-audit services policy summary

- There is a general prohibition on the provision of non-audit services by the Group external auditor (and its network) which will apply to Petrofac Limited and its subsidiaries. A narrow list of permitted non-audit services will continue to be allowed
- Certain non-audit services are subject to an absolute prohibition
- Permitted non-audit services (other than those required by national legislation) provided to Petrofac Limited and its subsidiaries are subject to a 70% cap (the Cap)
- The Cap is defined as permitted non-audit fees (other than those required by national legislation) expected to be incurred in the current financial year not exceeding 70% of the average Group statutory audit fees for the previous three financial years
- If the Cap is expected to be breached, the Audit Committee must be informed in advance to ensure that enhanced procedures are performed to obtain assurance on the Group external auditor's independence and objectivity (as defined by reference to the FRC's Revised Ethical Standard 2019)
- All permitted non-audit services are subject to the prior approval of the Committee in advance of work commencing, subject to limited exceptions
- The CFO's approval is required prior to engaging the Group auditor on any pre-approved permitted non-audit services
- Committee pre-approval for permitted non-audit services is given where the estimated engagement fee in any one financial year is below US$50,000
- All services with estimated fee levels above the US$50,000 threshold must be sent to the Committee for approval prior to commencement of the engagement even if defined as permitted non-audit services
- The CFO will ensure that a full list of permitted non-audit service engagement, associated fees and continued compliance with the Cap is presented to the Committee every six months unless the Cap is expected to be breached
- The Audit Committee will seek assurance at least once a year from the Group auditor on its policy and safeguards to maintain independence and objectivity

EY audit tenure

Petrofac last conducted a competitive tender process in 2016 and, following completion of that exercise, the Committee recommended that EY be retained as the Company's external auditor. In making this recommendation, the Committee concluded that the decision was in the best interests of the Company and its shareholders.

The next competitive audit tender process will take place in 2024. As a Jersey-incorporated company outside the FTSE 350, Petrofac is not subject to the requirements of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the Order). Nevertheless, the Committee recognises the importance of auditor independence, and we will therefore apply voluntarily the provisions in those regulations requiring the rotation of audit firm after 20 years.

Internal audit, risk management and internal control

Internal Audit

The Internal Audit function supports the Committee by reviewing the effectiveness of the global risk management framework and management of individual risks. It plays an integral role in the governance structure and provides regular reports to the Committee on the effectiveness of governance, systems, processes and controls across the Group.

Its activity is primarily driven by an agreed risk-based programme that reflects the key risks the Group faces, the governance frameworks, organisational structures and operations. One of the Committee's key roles is to challenge the audit programme, and specifically to determine whether the key risk areas are being audited with appropriate frequency and depth. Following approval by the Committee, the programme remains under review and subject to change throughout the year to ensure any changes to the risk profile or key drivers are appropriately considered. The Committee reviews and approves all changes to the programme and receives updates at each meeting on the outcome of the work performed.

The 2023 risk-based audit programme and additional assurance activities were reviewed and approved in November 2022 and further developed during the year to reflect changes in risk profile, business objectives and external environment. The Committee also approved the Internal Audit Charter which defines the accountabilities for conducting risk-based audit activities, ensuring transparency and a clear line of separation to preserve the independence of Internal Audit from the business.

The Head of Audit reports directly to the Committee and administratively to the CFO, with a remit to provide independent and objective assurance.

The Internal Audit function also has a role in assessing the cultural climate in Petrofac via a number of mechanisms including policy and compliance processes, and formal and informal channels for employees to raise concerns. The latter includes the whistleblowing programme, Speak Up, which encourages employees, contractors and suppliers to come forward with experiences and/or observations of those breaching the Code of Conduct. The Board is apprised of any material whistleblowing incidents.

Audit Committee report continued

Reports to the Committee cover any significant matters arising from the programme and management's response to significant audit findings and notable control weaknesses, including planned improvements and agreed actions. Where any significant areas of concern are identified during an audit, an implementation plan is agreed with management for any required corrective actions to be addressed on a timely basis, with follow-up audits arranged. Action closures are reported to, and monitored by, the Committee.

The Committee also regularly holds private sessions separately with the Head of Audit without members of management present. The Head of Audit has direct access to the Committee Chair and meets with the Group's external auditor whenever required.

The Committee keeps the Board informed of its activities and recommendations, with the Audit Committee Chair providing an update to the Board after every meeting. The Committee discusses with the Board where it is not satisfied with or believes that action or improvement is required concerning any aspect of financial reporting, risk management and internal control, compliance or audit-related activities.

During 2023, 20 Internal Audit assignments were carried out and included functional audits on operational aspects of E&C, Group, Asset Solutions and HR; business and project level controls; and IT spend management. The results of which were included in Internal Audit's annual assessment of the system of internal controls.

The 2024 audit programme and any additional assurance activities to be undertaken by Internal Audit have been reviewed by the Committee and approved.

Risk management

The Board is responsible for maintaining a risk management and internal control system and for managing the principal risks faced by the Group. The Board has implemented the FRC's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

The resulting procedures, which are subject to regular monitoring and review, include delegation to the Committee which has the necessary skills, knowledge, experience and authority to effectively meet its obligations. Further information on the processes for identifying, evaluating and managing the Company's principal risks can be found on pages 72 to 77.

The Committee receives regular updates on risk management from the Group Risk and Audit teams. The Group's principal risk report captures and assesses the principal and emerging risks facing the Group, outlines how these risks are managed and monitors exposures. This document is updated quarterly and is considered at both Committee and Board level throughout the year. Additional reports are also submitted by the external auditor to assist the Committee, and ultimately the Board, in their annual assessment of the effectiveness of the Group's risk management and system of internal controls. In reviewing each of the submitted reports, the Committee considers how effectively risks have been identified; how they have been mitigated and managed; whether actions are being taken promptly to remedy any failings or weaknesses; and whether the causes of any failings or weaknesses have indicated poor decision-making, a need for more extensive monitoring, or a reassessment of process effectiveness.

These help to provide the Committee, and ultimately the Board, with a balanced assessment of the Group's principal risks and the effectiveness of the systems of internal controls. Based on this assessment, including the work completed by the GIT supported by the independent external advisors and the additional year-end assurance activities, and notwithstanding the concerns that arose during the year that are noted above, our risk management framework and processes operated overall as expected during the year to identify and assess possible responses to the principal risks and uncertainties faced by the Group.

Throughout the year, the Group's principal risks have been regularly reviewed by management to provide assurance on the robustness, integrity and effectiveness of the systems in place, including those that could threaten its business model, operations, future performance, solvency and liquidity. Further details of the Group's risk management systems and controls, including an overview of the risk governance and management frameworks and key changes to the principal risks during 2023, are presented on pages 72 to 77.

Internal controls

Petrofac seeks to ensure that a sound system of internal controls, based on the Group's policies, standards and procedures, remains in place for all material associates and joint arrangement entities. In the event any failings or weaknesses are identified in the course of a review of internal control systems, management puts in place robust actions to address these on a timely basis, with action closures reported to and monitored by the Committee. As with all companies, an internal control system can provide only reasonable and not absolute assurance against material financial misstatement or fraud, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

Following identification of the internal control deficiencies during the year, as detailed on pages 93, 116 to 117 and 120, additional assurance activities were undertaken to ensure there were no other similar instances within the broader contract portfolio. These assurance activities did not identify any further such occurrences.

Other matters

Treasury

The key focus during the second half of 2023 and 2024 to date has been the ongoing Financial Restructure, which is detailed in full on pages 8 and 9. This is critical to strengthen the Group's balance sheet, improve liquidity and help secure both performance and advance payment guarantees, all of which are essential to help deliver the Group's secured awards in 2023.

Prior to the financial and strategic review which resulted in the Financial Restructure, during 2023 the Committee discussed with the Group Treasurer the funding needs of the Group and related financing activities. This included the potential impact of adverse changes in market conditions on financing plans over the short to medium term and, more broadly, how funding and financing risk is being managed. As part of its remit, the Committee supports the Board in monitoring performance against the Group's funding plan, as well as reviewing the Group's compliance with the Treasury Risk Management Policy, a copy of which is available at petrofac.com. During the year, the Committee continued to closely monitor the Group's funding and liquidity, particularly in light of the ongoing challenging market conditions facing the Group and the resulting effect on financing and liquidity.

Assurance

At the year end, and as required by the UK Code, formal assurance is provided to the Board that effective governance, risk management and internal control processes are in place and remain relevant, to ensure that the Group will continue to be viable for at least the next three years. This assurance covers all material controls, including strategic, financial, operational and compliance controls. Internal Audit supports the Committee in reviewing the effectiveness of the global risk management framework and management of individual risks. Further details on the overall control processes are set out on pages 70 to 71.

The Director's assessment of the Group's risk management and internal control processes are detailed elsewhere in this report (page 120) whilst their assessment of the going concern and viability is covered on pages 123 and 124. This concluded that the Directors believed that there are reasonable prospects for the successful conclusion of the Financial Restructure and that therefore, the going concern basis of preparation remained appropriate, albeit with certain material uncertainties clearly disclosed.

Due to the material uncertainties that exist in respect of the going concern assessment and the risks regarding the implementation of the Financial Restructure, the Directors are unable to conclude that there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the viability assessment period to 31 December 2026.

However, assuming the Financial Restructure is successfully implemented, and taking into account the Group's current position, prospects, principal risks and uncertainties and assumptions listed above, the Directors have concluded that, in those circumstances, it would have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the assessment period.

Additionally, due to the uncertainties remaining in the successful implementation of the Financial Restructure and the inter-conditionality therein, the Directors note that despite completing all of their year-end audit procedures, the auditors have concluded that they are unable to obtain sufficient appropriate audit evidence to support the assumptions that a successful restructuring is achievable in the necessary timeframe and have therefore disclaimed the audit opinion on these financial statements.

Insurance programme

Petrofac utilises the insurance market as a risk transfer mechanism, to cover the types of insurable risks normally associated with an energy services provider, operating in similar challenging territories across the world. The cover procured is structured under a Group-wide insurance programme, designed to avoid potential coverage gaps and duplication across the Group, whilst also ensuring that the Group benefits from economies of scale. The effectiveness of the various global insurance policies is continually challenged against business activities, to ensure that the insurance cover will respond to our ever-changing risk exposures.

This stress-testing also provides additional certainty that our cover remains as wide as commonly available across the insurance market, whilst continuing to represent a cost-effective risk transfer solution, considering various factors, including policy limits, deductible levels and policy conditions.

Ahead of the 2024 Group insurance renewal, a structured and targeted marketing exercise concerning the main Group policies was undertaken. After several years of a highly challenging insurance marketplace in which insurers have grappled with unprofitable loss ratios by applying blanket rate increases, 2023 witnessed a more settled insurance landscape with most classes of insurance being renewed on the expiring terms. However, continued higher inflation impacted renewal of the Group's insurance programme in April 2024 and total premium spend has decreased 2% when compared to 2023.

Fair, balanced and understandable

The Committee assessed whether the Annual report when taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. This assessment is supported by the Disclosure Committee, membership of which includes the Group General Counsel and Head of Company Secretariat, and is chaired by the Chief Financial Officer.

Throughout 2023, the Committee monitored the integrity of the Group's reporting process and financial management, considered the results of management's assessment of going concern and viability, reviewed in detail the work of the external auditor, and ensured it and any significant financial judgements and estimates made by management provide the information necessary for stakeholders to assess the Group's performance and position.

This year, the Committee also carefully considered the impact of the ongoing Financial Restructure on its assessment, specifically reviewing the disclosures covering the current status of the restructure, its linkage to the going concern and viability assessments and the criticality of its implementation. It also specifically considered the control deficiencies noted previously and their impact on the description and assessment of the Group's overall control framework.

In reaching its conclusion, the Committee assessed the results of the processes undertaken by management to provide assurance that the Group's financial statements were fairly presented. These processes were led by an internal team, consisting of members of the Group Finance, Company Secretariat, Group Communications and Investor Relations teams, who each collaboratively prepare sections of the Annual report. This team also performed procedures to provide assurance to the Committee that the Annual report was balanced, complete and accurate. This ensured that there was a clear and integrated link between the three main sections of the Annual report – the strategic report; the governance report; and the financial statements.

This work enabled the Committee to provide positive assurance to the Board to assist it in making the statement required by the Code.

The Board subsequently approved the Committee's recommendation that a fair, balanced and understandable statement reflecting this conclusion could be provided. This statement is set out on page 141 The Group's external auditor's report can be found on pages 143 to 145.

Audit Committee report continued

Principal matters considered during the year by the Audit Committee

The Committee met six times during the year (in addition to four times during 2024 to date), with meetings coinciding with key points in the financial reporting cycle.

The principal matters reviewed and considered were as follows:

Financial statements and reporting (including going concern)	• Received reports from the Executive team and senior management on accounting (including the principal accounting matters and details of the prior year adjustment included in the financial statements and the additional assurance activities undertaken in response to the investigation that resulted in those adjustments), commercial, financial, revenue recognition, risk and risk mitigation, strategic and litigation matters (see also 'Other' below) • Reviewed and recommended the press releases to be put to the Board for approval relating to the full-year and half-year results and financial statements • Approved the Group's viability and going concern statements (including reviewing scenario testing of business plans and forecasts including cash flow forecasting and liquidity monitoring). This included a critical assessment of the ongoing Financial Restructure (pages 8 to 9 and 123 to 124) and the auditors associated conclusions (pages 143 to 145) • Reviewed and recommended the Annual report and accounts to be put to the Board for approval that, as a whole, they complied with the Code principle to be 'fair, balanced and understandable'
External auditor	• Reviewed the Group's external auditor's 2023 audit strategy and planning report • Reviewed the external auditor's reports on the Group's full-year financial statements • Discussed, reviewed and approved the external auditor's assessment of its objectivity and independence, including a review of any non-audit services provided plus associated fees • Reviewed management representation letters relating to the full-year audit • Approved the external auditor's statutory audit fees
Risk management and internal controls (including Internal Audit)	• Considered, discussed and challenged the Internal Audit reports • Reviewed and approved the internal audit plan for the year which encompassed governance, compliance, finance, IT, plus function, business and project level controls • Considered the Group's principal risks which included periodic review of the status of each, associated controls and mitigation/management strategies • Reviewed the Treasury Risk Management Policy and compliance thereof

Governance	• Reviewed the Committee's Terms of Reference and recommended they be approved by the Board • Received updates from the Group external auditor on the changes to be introduced in the audit and governance landscape • Received reviews and guidance on the relevant FRC publications during the year
Other	• Received and considered the report following the annual Control Self-Assessment process and an assessment on the effectiveness of the Company's risk management and internal control systems • Instructed, received and considered additional assurance activities, including the use of independent external advisors, to ensure that the control deficiencies identified during the year were individual incidents, and that there were not other such occurrences elsewhere in the Group's contract portfolio • Received and challenged judgements made by the Executive team and senior management on forecast cash flows and potential impact of certain scenarios including the adequacy of provisions required on loss-making contracts and the appropriateness of the related disclosures • Reviewed and recommended for Board approval the annual tax update • Reviewed and recommended for Board approval the 2023 Group insurance programme renewal • Reviewed ethical standards and noted the performance of the updated 'Gifts, Entertainment and Hospitality' policy and associated tool

Committee planned activities for 2024

In addition to standing items the Committee will also:

- Progress and implication of the ongoing Financial Restructure, especially in respect of the going concern basis of preparation and viability assessment
- Continue to challenge and debate the relevance of management's judgements on significant accounting issues
- Maintain a robust overview of the going concern and viability statements
- Complete the audit tender planning process
- Monitor and implement any audit reform recommendations

Significant judgements

The areas considered and actions taken by the Committee in relation to the Group's 2023 consolidated financial statements are outlined below. The Committee has challenged and required management to exercise the highest level of judgement or estimation throughout the year and sought assurance from the internal and external auditors. The Committee was satisfied with the accounting and disclosures in the financial statements.

Revenue and recognition on fixed-price EPC contracts

Significance	Due to the complexity and scale of many of the Group's contracts, revenue recognition continues to be an area of focus. The quantification and timing of revenue and profit recognition from fixed-price EPC contracts is a material driver of the Group's financial performance and position, which is subject to significant management judgement and estimation. There is an inherent risk of bias or error in judgements and estimates concerning, for instance: variable consideration e.g. variation orders, liquidated damages; contract contingencies; and estimates to complete cost forecasts.
Role of the Committee	The Committee reviewed and challenged the reasonableness of evidence to support judgements and estimates regarding revenue and profit recognition, including non-recognition in certain instances, through regular discussions with executive management. This included a review of the additional assurance measures which were undertaken in response to the identified control deficiencies and prior year adjustment. The Committee focused on variable consideration; contract contingencies; and estimates to complete cost forecasts, particularly in light of the ongoing deterioration in market conditions caused by the lasting impact of the pandemic, the change in cost forecasts on a number of the E&C contract portfolio including the Thai Oil Clean Fuels joint venture contract, the mature contract portfolio, and the low order intake suffered prior to this year. The Group's external auditor also challenged management on the key drivers of revenue and profit recognition on fixed-price EPC contracts and reported their findings to the Committee. As a key area of audit focus, the Committee also received reports from the Group's external auditor on key contract judgements.
Conclusion	The Committee concluded after thorough deliberation that the quantification and timing of revenue and profit recognition on fixed-price EPC contracts, as well as associated reporting, was in accordance with the relevant International Financial Reporting Standards and the Group's accounting policies.
More information	Financial Review on pages 86 to 93 and note 4 to the consolidated financial statements.

Going concern and viability

Significance	Management and the Board are required to assess whether the financial statements should be prepared on a going concern basis.
Role of the Committee	The Committee spent considerable time throughout the year discussing going concern and viability. At the end of the year a lengthy assessment of the going concern assessment period to 31 December 2025 (the Assessment Period) and the subsequent viability period was performed, including an assessment of the reasonable prospects of the ongoing Financial Restructure being successfully implemented. This also included the more traditional elements of reviewing and challenging the Group's forecast cash flows, liquidity and borrowing requirements after assessing the assumptions in respect of new order intake over the Assessment Period; evaluating downside scenarios based on the Group's principal risks and uncertainties; and appraising the mitigation strategies available to management. The Committee considered the appropriateness of the going concern assessment, especially in light of the fragile financial condition of the Group and the critical nature and inter-dependencies of the ongoing Financial Restructure and related judgements regarding the material uncertainties, reviewing the downside scenarios and the potential mitigations as disclosed in note 2.5 of the consolidated financial statements. They concluded that these disclosures were fair, balanced and understandable.
Conclusion	The Committee reviewed the Group's going concern assessment based on forecast cash flows, liquidity headroom and covenant compliance over the Assessment Period. Additionally they assessed the reasonable prospects of the Financial Restructure being implemented. The forecasts were based on the Board-approved business plans and forecasts and modelled a range of severe but plausible downside scenarios to reflect uncertainties inherent in forecasting future operational and financial performance, the committed facilities available, and the mitigations within direct control of the Group. As usual, the Committee considered the risks identified and appraised the severity and plausibility of these in setting the downside sensitivities, but also, this year, considered the specific challenges of the Group's current fragile financial position and the steps still required to implement the Financial Restructure, including the key commercial terms and various inter-conditional agreements from a number of stakeholders. The Committee recognised that the Group's liquidity position in the mitigated severe but plausible downside scenario is reliant on the successful completion of the Financial Restructure within the Group's remaining liquidity timeframe, the securing of guarantees on normal commercial terms subsequent to the completion of the restructure and on a small number of collections from clients, all of which are not entirely within the direct control of the Group. Therefore, each of these four matters represent a material uncertainty. The Committee reviewed the disclosures presented in note 2.5 of the consolidated financial statements together with the viability statement, on pages 94 to 96 to ensure that sufficiently granular detail was provided to explain the basis of preparation of the financial statements and the Board's assessment and conclusion.

Audit Committee report continued

Significant judgements continued

Going concern and viability continued

Conclusion continued	The Committee acknowledged that this assessment represented a significant judgement and concluded, after rigorously evaluating all of the relevant and timely available information, that they there are reasonable prospects that the Group will maintain liquidity in the period up to the implementation of the Financial Restructure, will successfully implement the Financial Restructure and have access to guarantees on normal commercial terms following the Financial Restructure, and therefore retaining sufficient liquidity even in a severe but plausible downside scenario and that the continued use of the going concern basis of preparing the Group's financial statements therefore remained appropriate. The Committee also considered the viability of the business and concluded that due to the material uncertainties that exist and the risks regarding the implementation of the Financial Restructure, the Directors are unable to conclude that there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the viability assessment period to 31 December 2026. However, assuming the Financial Restructure is successfully implemented, and taking into account the Group's current position, prospects, principal risks and uncertainties and assumptions listed previously, the Directors have concluded that, in those circumstances, it would have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the assessment period.
More information	Notes 2.5 and 2.7 to the consolidated financial statements.

Taxation

Significance	The global nature of the Group's operations and the increasingly complex nature of local tax rules increases the risk of an income tax expense misstatement. Management is required to make several judgements and estimates around: uncertain tax treatments given the commercial structure of individual contracts; and the valuation and recoverability of any deferred tax assets.
Role of the Committee	The Group's tax judgements and estimates were reviewed by the Committee to ensure that the recognition of income tax expense, uncertain tax treatments, and any deferred tax assets were based on reasonable and appropriate assumptions. Whilst the level of recognised uncertain tax positions has reduced during the year, the Group has operations in multiple jurisdictions of varying degrees of maturity which means the risk of tax treatments being challenged remains elevated. Reports outlining principal tax matters were reviewed and discussed with management and the Group's external auditor, which also reported to the Committee on its procedures and findings in relation to the Group's tax affairs.
Conclusion	The Committee was satisfied that taxation-related judgements and estimates were reasonable and appropriate and that the Group's tax affairs were being managed, accounted and reported in accordance with the relevant legislation, International Financial Reporting Standards and the Group's accounting policies.
More information	Financial Review on pages 86 to 93 and note 8 to the consolidated financial statements.

Provision recognition or contingent liability disclosure of HMRC's challenge to the historical application of NI contributions to workers in the UKCS

Significance	Several key judgements on conditions of significant uncertainty were required in relation to determining whether recognition or disclosure of this matter was required. This included, but was not limited to, assessing the applicability of tax legislation cited by HMRC to the facts of the enquiry; assessing any developments in the enquiry during the year; and critically evaluating advice from independent legal and tax specialists.
Role of the Committee	The Committee evaluated management's assessment of developments during 2023 in conjunction with the ongoing tribunal process. In particular, the Committee focused on ensuring that management had critically appraised advice provided by independent legal and tax specialists as well as ensuring that there was an awareness and prevention of inherent bias implicit in management's position.
Conclusion	As this remains an ongoing enquiry through 2023 the risk of an adverse finding against the Group is unchanged since last year and is therefore appropriate to be disclosed as a contingent liability note in the financial statements.
More information	Note 30 to the consolidated financial statements.

Compliance and Ethics Committee report

FRANCESCA DI CARLO
Chair

Membership:
Chair: Francesca Di Carlo

Committee members:
Matthias Bichsel, David Davies

How the Committee spent its time during the year:

Group investigations/Speak Up	33%
Compliance strategy	33%
Compliance programme review	24%
Governance/Other	10%

The responsibilities of the Committee are to:
- To assist and advise the Board on the development, implementation and oversight of strategy, policy, and all matters in respect of compliance and ethics to ensure the Group's commitment to doing the right thing
- To monitor the adequacy and effectiveness of controls in place and any mitigation activities
- To oversee the development, implementation and effectiveness of the Group Compliance Charter, the Company's Code of Conduct and other policies, procedures and standards in relation to compliance and ethics
- To receive reports and review findings of significant internal and external compliance-related investigations and audits and exercise oversight, where possible, over any such investigation impacting the Group
- To oversee, review and approve the adequacy and security of the Group's arrangements for its employees and third parties to raise concerns, in confidence, about possible wrongdoing
- To evaluate the compliance and ethical aspects of Group culture and make recommendations to the Board on steps to be taken to ensure a culture of integrity and honesty in the Group's business dealings
- To support the Company in any engagement with regulatory bodies, industry groups, advisors and other stakeholders, as necessary and where permitted by law, regarding ethical issues and compliance matters

Dear Shareholder

I am pleased to present the report of the Compliance and Ethics Committee for the year ended 31 December 2023.

On behalf of the Board, the Compliance and Ethics Committee oversees a framework of policies and procedures to ensure the Group's commitment to doing the right thing.

This report is intended to provide shareholders with an insight into key areas considered, together with how the Committee has discharged its responsibilities and provided assurance to the Board on the Group's Compliance and Ethics programme.

Committee governance
All the Committee members are independent Non-executive Directors. Their expertise and experience is set out in their respective biographies on pages 102 to 103. The Company Chair, other Board members, the Group General Counsel, Chief Compliance Officer, the Head of Investigations, the Head of Audit and external advisors are invited to attend all or part of a Committee meeting when considered appropriate or necessary. The Committee met four times during the year and reports to the Board on the proceedings.

Regular updates from the Group Compliance function are received which include details of any significant reports, investigations conducted, and progress against any required follow-up actions with direct engagement with management taking place as required. During the year, the Committee reviewed its Terms of Reference, which can be found on the Company's website at: www.petrofac.com.

The Committee undertook an internal effectiveness review as part of the wider internal Board evaluation. Further details can be found on page 109.

Compliance and Ethics Committee report continued

Key actions from 2023

- **Governance:** oversees the review and revision of all compliance-related policies, procedures and standards.
- **Awareness, communication and training programmes:** an updated Anti-Bribery and Corruption (ABC) training programme was agreed and implemented; the Speak Up campaign, developed with the Group Communications team, was launched; a mandatory Annual Code of Conduct refresher was introduced to replace the Annual Declaration; training sessions were held around the Group on various topics including conflict of interest, due diligence, ABC, and trade compliance.
- **Internal controls:** As disclosed in the Audit Committee report, investigations completed by the Group Investigations team identified deficiencies in the Group's internal controls, one of which has resulted in a prior year adjustment. Further details of the deficiencies identified, the outcomes of these investigations, and the review of the Group's internal controls are set out on pages 116 to 117 and 120.

  Additionally, the Company appointed external advisors to undertake a thorough assurance review to check that the steps taken as part of the Group's exit from its Russian operations in 2022 and 2023 complied with sanctions imposed from the end of February 2022 onwards, following Russia's invasion of Ukraine, had been effective. Despite the compliance measures put in place by management, instances of administrative non-compliance were identified and have been assessed to give rise to a UK enforcement risk. These have been notified to the relevant authorities and appropriate financial provisions recorded.

  Received the initial findings from a survey on the process and associated software for logging gifts, entertainments and hospitality.
- **Speak Up programme:** Received the Speak Up statistics and analysis for 2023. Some Speak Up cases were subject to a more detailed review. Approved the campaign to promote and engender a 'Speak Up' culture without fear of retaliation.
- **Certification:** Approved the application to seek ISO 37001 certification (anti-bribery management system) for specific locations around the Group.

Priorities for 2024

- Continuing to monitor and assess the Compliance and Ethics programme performance
- Digitalising compliance risk management processes (e.g. gifts, entertainment and hospitality)
- Progress the application for ISO 37001 certification
- Streamlining third-party risk management strategies

Compliance and Ethics programme

The Committee is aware of the continuing need to ensure that compliance processes are continuously developed and are proportionate to the identified risks associated with our operations. In addition to risks specific to our sector, there are standard business risks which require us to be mindful of current geopolitical situations such as sanction lists, embargoes, import and export controls, and risks associated with third-party management.

The Group has a range of operation controls (commercial, including procurement, due diligence, and risk assessment) that are designed to identify and manage risks internally and with third parties. This ongoing commitment to continual improvement provides enhanced insight and greater assurance into the effectiveness of the compliance programme which has been designed to mitigate these risks.

Resourcing the Group Compliance function remains a challenge, due to continuing demanding market conditions and a much tighter labour market across the industry. Further enhancements will be made to the investigative capability during 2024.

In addition to launching a new, annual Code of Conduct training course, other improvements to the Compliance and Ethics programme have included further focus on improving Speak Up reporting and analysis. The Speak Up helpline fosters a speak-up culture, in which employees feel empowered to talk about any issue. Petrofac actively encourages speaking up in the event of a question or concern and provides a variety of channels through which employees and stakeholders may do so, including the Speak Up helpline. The Group's no retaliation policy encourages the reporting of possible ethical breaches and offers protection for individual employees.

The development and launch of the new gifts, entertainment and hospitality tool aligns people and process around the Group and allows gifts, invitations and conflicts of interest to be more closely monitored and improves compliance with relevant policies.

Our trade compliance team works closely with operations around the world to ensure compliance with applicable local and international sanctions and embargoes.

The Awareness, Training, and Communication programmes ensure relevant and timely training for our employees on the risks associated with their location, designation, engagement with third parties, clients, and government bodies.

In light of the ongoing political situation, the Group Compliance team continued to monitor the continually evolving sanctions regime against Russia throughout the year, providing updates to the Committee. This involved the arrangements related to the safe completion and handover of our Sakhalin Energy project. Petrofac has also divested its control of and economic interest in the Sakhalin Technical Training Centre.

Good progress has been achieved throughout 2023 and the continued implementation of good principles and behaviours will further embed the highest ethical standards throughout the organisation. The Committee recognises the need to continue to reinforce the compliance message, and ensure all employees acknowledge that how we do business is just as important as what we do.

FRANCESCA DI CARLO
Chair of the Compliance and Ethics Committee
31 May 2024

Directors’ remuneration report

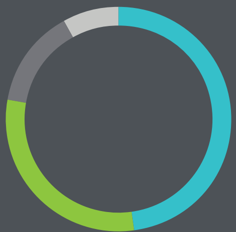
MATTHIAS BICHSEL
Chair

Membership:

Chair: Matthias Bichsel

Committee members:
Sara Akbar, Francesca Di Carlo

How the Committee spent its time during the year:



2023 remuneration arrangements	48%
Governance and review of external environment	30%
Review of employee share plans and performance conditions, including new share plans reviews	14%
Wider workforce remuneration considerations	8%

Role and responsibilities of the Committee:

- Determine, implement and review, on behalf of the Board, the framework and policy for the remuneration of the Chair, the Executive Directors and other members of the Executive team. Review the ongoing appropriateness and relevance of the remuneration policy
- Ensure that the objectives of the remuneration policies and practices are transparent, support the Company’s strategy and promote long-term sustainable success, while addressing the principles set out in the UK Code relating to clarity, simplicity, risk, predictability, proportionality and alignment to culture
- Review and oversee wider workforce remuneration and related policies and ensure that incentive schemes and rewards drive behaviours that are consistent with our purpose, values, and strategy, and take these into account when setting the policy for Executive Director remuneration
- Approve the design of, and determine targets for, any performance-related pay schemes and review the total annual payments made under such schemes
- Ensure that outcomes are only earned for achieving stretching, but fair, performance targets and that remuneration schemes and policies enable the use of Committee discretion and independent judgement to override
- Maintain contact, and promote effective engagement, with principal stakeholders, as required, on matters relating to executive remuneration

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors’ remuneration report for the year ended 31 December 2023. As a Jersey-incorporated company, Petrofac is not subject to the remuneration reporting regulations that apply to UK– incorporated companies. Nevertheless, the Committee recognises the importance of effective corporate governance, and we will therefore continue to operate in line with the UK remuneration reporting regulations.

Accordingly, we will be asking shareholders at our 2024 AGM, to vote on this report, which summarises the remuneration outcomes for 2023 and explains how we intend to apply our remuneration policy during 2024. Our remuneration policy and accompanying notes, which were approved at the 2023 AGM, can be found at www.petrofac.com.

Directors' remuneration report continued

2023 Group performance

Whilst the Group is reporting a disappointing set of financial results for 2023 and is actively working on implementing the Financial Restructure (pages 8 and 9), we did see significant progress in a number of key areas. In particular, the material new project wins in our E&C business contributed to the Group order backlog increasing to over US$8billion. Our Asset Solutions business continued to expand while our IES business delivered robust financial results due to increased production and strong oil prices.

The Group reported revenue of US$2,496 million and a full-year business performance net loss of US$485 million. Despite these challenges, we continued to deliver on our projects and services, whilst doing everything within our control to protect the health and wellbeing of our people.

During 2023 the management team introduced additional rigour and leadership oversight to enhance business performance and in this regard, it is particularly encouraging to note the move into new geographies and the successes in energy transition, enabling us to further diversify our portfolio of projects and services. However, whilst we have made progress on our strategy, work is ongoing as part of the Financial Restructure to strengthen the balance sheet, secure guarantees and improve liquidity.

Against this backdrop, the Committee remains determined to provide a package of pay and benefits that attracts, retains and incentivises our management and staff to grow and transform Petrofac, while also ensuring that all stakeholders, including investors and clients, benefit from a successful delivery.

The remuneration outcomes for 2023

Notwithstanding the challenging market and business environment, the Group made steady progress against key strategic objectives during the year that are critical to growth and our delivery of sustainable future profits, which allowed for a moderate total Group bonus pool of US$22 million.

However, in view of our disappointing cash position, the Committee decided to exercise downward discretion on the Free Cash Flow element of the bonus framework for Executive Directors and the members of the Executive Committee. This resulted in the bonus for the Executive Directors being reduced by between US$60,000 to US$100,000.

The Performance Share Plan (PSP) awarded in 2021 vested at 33.3% of the maximum. This is the result of a solid performance over the last three years on a number of long-term targets. Further details are set out on page 131. The Committee considered that this 33.3% vesting for our long-term incentive plan was commensurate with Petrofac's results over that period and was satisfied that no discretionary adjustment was necessary.

Executive Director changes

Tareq Kawash was appointed Group Chief Executive with effect from 1 April 2023 on similar terms to Sami Iskander. Details of Mr Kawash's package can be found on page 139.

Both our Group Chief Executive and Chief Financial Officer received a 5% increase in salary effective April 2024. This is below the average increase of Petrofac's UK workforce.

In view of the uncertainty around the Company's share price development and the need for a financial restructuring, the Committee decided it was appropriate for the payment of the Executive Directors' 2023 annual bonus to be paid in cash, with 25% deferred until the successful completion of the Financial Restructure. The Committee also decided to defer the grant of new PSP awards until later in 2024.

Full details of the remuneration of the Executive Directors can be found on pages 139 and 140. Details of any new PSP awards will be reported in next year's Directors' Remuneration Report.

Remuneration policy

Our Remuneration policy was approved at the 2023 AGM with a vote in favour of 99.59%. No changes to our Remuneration Policy are proposed for this year.

Pay outcomes for the Chair and Non-executive Directors

The Chair and Non-executive Director fees had been reduced by 10% with effect from 1 April 2020, in line with the wider Petrofac workforce arrangement. With effect from 1 April 2022, the fees were reinstated to pre-2020 levels. Following a review, it was decided to increase the fees in July 2023 to reflect the increased workload and time commitments expected of the Directors. Details of the fees can be found on page 139.

Conclusion

Over the last few years, the Committee has had to respond quickly and decisively to the challenges faced. We have had to make some difficult decisions, but at all times, we have sought to act in the best interests of Petrofac and all our stakeholders.

I hope you find the report clear and informative, and that the Committee has your support for the Annual Report on Remuneration at the forthcoming AGM.

MATTHIAS BICHSEL
Chair of the Remuneration Committee
31 May 2024

Annual Report on Remuneration

Looking backwards

The information presented from this section, until the relevant note on page 135, represents the audited section of this report.

Single total figure of remuneration

The following table sets out the total remuneration for Executive Directors for the year ended 31 December 2023, with prior year figures also shown.

	Base salary (a) US$000		Taxable benefits (b) US$000		Cash in lieu of pension and other benefits (c) US$000		Annual bonus (d) US$000		Long-term incentives and buy-outs (e) US$000		Total remuneration US$000		Total fixed pay (f) US$000		Total variable pay (g) US$000	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Executive Directors[1]																
Tareq Kawash[2]	**895**	–	**109**	–	**39**	–	**837**	–	**622**	–	**2,502**	–	**1,043**	–	**1,459**	–
Afonso Reis e Sousa	**516**	480	**2**	1	**32**	30	**416**	249	**40**	1	**1,006**	761	**550**	511	**456**	250
Former Director																
Sami Iskander[3]	**206**	829	**7**	26	**15**	58	**–**	502	**199**	–	**427**	1,415	**228**	913	**199**	502

Notes to the table

1. The Executive Directors are paid in sterling. All amounts have been translated to US dollars based on the prevailing rate at the date of payment or award.
2. Tareq Kawash joined the Company on 1 January 2023 and was appointed as Group Chief Executive on 1 April 2023. The 2023 figures reflect all payments made to Mr Kawash in 2023. As set out in the 2022 report, Mr Kawash was granted an award of £500,000 under the Deferred Bonus Plan to compensate him for awards forfeited on leaving his previous employer. Further details are set out on page 132.
3. Sami Iskander ceased to be an Executive Director from 31 March 2023. The 2023 figures reflect the period from 1 January 2023 to this date.

Further notes to the table – methodology

a. Salary and fees – the cash paid in respect of 2023.

b. Benefits – the taxable value of all benefits paid in respect of 2023, including private health insurance and appropriate life assurance. Both Tareq Kawash and Sami Iskander received a car allowance of £20,000 per annum during the period. The Company also reimbursed the cost of school fees incurred by Mr Kawash amounting to £38,000; the value shown includes the associated tax and employee National Insurance contributions borne by the Company.

c. Cash in lieu of pension and other benefits – our Executive Directors receive a cash allowance in place of pension contributions and do not receive specific pension contributions from the Company.

d. Annual cash bonus in respect of performance during 2023 with 25% deferred until the successful completion of the Financial Restructure.

e. Long-term incentives 33.3% of the 2021 awards under the Performance Share Plan will vest for Afonso Reis e Sousa on 25 May 2024. A value of US$39,798 is due to vest for Mr Reis e Sousa, pro-rated for time, based on the vesting period from his appointment as an Executive Director. This value represents an estimate of the market value of the shares that are due to vest, based on a three-month average share price of 42.68 pence (1 October to 31 December 2023). Of the value due to vest, £(67,063) of the figure is attributed to a share price depreciation of 89.42 pence per share, based on an actual award price of 132.1 pence. The 2022 value for Mr Reis e Sousa (relating to awards which vested in April 2023) has been revised from last year's report from US$943 to US$599, based on the actual share price of 62.21 pence at the date of vesting on 27 April 2023.

A value of US$198,657 is due to vest for Sami Iskander, pro-rated for time, based on his leaving date of 31 March 2023. This value represents an estimate of the market value of the shares that are due to vest, based on a three-month average share price of 42.68 pence (1 October to 31 December 2023). Of the value due to vest, £(278,978) of the figure is attributed to a share price depreciation of 74.52 pence per share, based on an actual award price of 117.2 pence.

f. Total fixed pay is the total of (a) base salary, (b) taxable benefits and (c) cash in lieu of pension and other benefits.

g. Total variable pay is the total of (d) annual bonus and (e) long-term incentives.

Annual Report on Remuneration continued

Annual bonus

The financial elements of our annual bonus comprise 60% of the overall weighting, while the remainder of the annual bonus (40%) is subject to metrics typically covering strategic areas such as: health and safety, customer and service quality; growth; people; sustainability (ESG); energy transition; and strategic initiatives.

		Performance targets[1]				
Measure	Weighting	Threshold US$m	Target US$m	Maximum US$m	Actual 2023 outcome US$m	Pay-out as % of maximum
Group EBIT[2]	20%	(214.5)	(190.5)	(166.5)	(392.7)	0%
Group order intake	20%	3,800	5,400	7,200	7,105	97.4%
Group free cash flow[3]	20%	(223.5)	(181.5)	(139.5)	(223.0)	0%* downward discretion
As a % of maximum						32.5%
As a % of salary earned (out of 120% for financial elements)						38.9%

1. The performance targets reflect appropriate adjustments for factors beyond management's control. The Group free cash flow targets also reflect a management adjustment to reduce the payout under this metric to reflect overall company performance.
2. Measured as Group business performance earnings before interest and tax (see note A4 in Appendix A of the consolidated financial statements).
3. The Group free cash flow measure for the purposes of the annual bonus performance target is a management reporting metric calculated as free cash flow generated from operating activities and investing activities, less interest paid, repayment of finance lease principal and amounts received from non-controlling interests (see note A9 in Appendix A of the consolidated financial statements).

The Group had a successful year in growing the order intake, almost hitting the maximum of the target. However, the Group missed the minimum threshold for payout against the EBIT performance metric. Whilst the Group very narrowly met the threshold on the free cash flow target, the Remuneration Committee decided that this element would not render a pay out for Executive Directors and the members of the Executive Committee. The Committee decided to apply this downward discretion as they concluded that the outcome against the formulaic approach did not reflect the expectations of shareholders. In 2022, the financial elements against the Bonus target framework were all below threshold.

Overall, whilst the 2023 financial results were disappointing, they did represent steady progress over the previous year, especially the excellent order intake performance, and the Remuneration Committee felt that, on balance, notwithstanding the downward discretion applied to Executive Directors and members of the Executive Committee, it was appropriate to pay a bonus for 2023.

Tareq Kawash

Tareq Kawash joined Petrofac in January 2023 and was appointed Group Chief Executive in April 2023.

The Committee reviewed the performance of Mr Kawash during 2023 and noted the difficult headwinds that the business faced during this period. The Committee was impressed with the professional and seamless handover with his predecessor. It was noted, in particular, that Mr Kawash had built strong relationships with clients and was instrumental in achieving the highest order intake in many years (in both the E&C and Asset Solutions divisions). Mr Kawash also worked tirelessly to obtain cash owed from clients and was successful in closing out legacy projects. It was noted that in the second half of 2023, the Company generated a positive cash flow.

In addition, Mr Kawash engaged successfully with investors, banks and bondholders as part of the Company's restructuring efforts. He was able to create a positive impression with all stakeholders, including employees where he has focused on restoring employee morale.

After reviewing his performance and, in particular taking into consideration the exceptionally challenging achievements set out above, the Committee agreed to award the bonus outcome reported on page 129.

Afonso Reis e Sousa

Afonso Reis e Sousa was appointed Chief Financial Officer and an Executive Director with effect from 1 September 2021.

The Committee reviewed Mr Reis e Sousa's 2023 performance and concluded that he delivered on his tasks and targets in a challenging year and acknowledged that he had shown a high level of commitment, while engaging with a range of stakeholders in trying to secure a robust refinancing of the business.

In view of this performance, the Committee agreed to award the bonus outcome as reported on page 129.

In view of the uncertainty around the Company's share price development and the need for a financial restructuring, the Committee decided it was appropriate for the payment of the Executive Directors' 2023 annual bonus to be paid in cash, with 25% deferred until the successful completion of the Financial Restructure.

Loss of office

Following the decision taken for Mr Iskander to step down from his role as Group Chief Executive, he worked his notice period from November 2022. The balance of this notice period of £433,141 was paid to him on his termination date of 31 March 2023. In addition, he received additional payments covering loss of benefits during the balance of this notice period, specifically: health and life insurance of £20,000; car allowance of £12,877; and cash in lieu of pension contributions of £30,320. He received holiday pay of £31,050.

Share plan interests awarded in 2021

Performance Share Plan

The performance conditions for the 2021 PSP award are set out below. As a result of the assessment against the strategic metrics, 33.3% of this award is due to vest on 23 April 2024 for Mr Iskander and on 25 May 2024 for Mr Reis e Sousa.

TSR element (50% of award):

The comparator group and vesting schedule are set out in the following tables:

Comparator group:

Aker Solutions	Saipem	Technip FMC
Fluor Corporation	SNC Lavalin	Tecnicas Reunidas
Hunting	Subsea7	Worley Parsons
KBR, Inc	Samsung Engineering Co., Ltd	Wood Group (John)
Maire Tecnimont		

Vesting schedule:

Three-year performance against the comparator group	Vesting as a % of maximum
Less than median performance	0%
Median performance[1]	25%
Upper quartile performance[1]	100%
Vesting	**0%** (Below median performance)

1. Straight-line vesting operates between these points.

Strategic element (50% of award):

	Performance measure	Weighting	Threshold	On-target	Maximum	Out-turn	Vesting (as a % of maximum)	Vesting % (actual)
Conserving cash	Cash conversion 2021–23	6.25%	75%	90%	105%	Max[1]	100%	6.25%
Maintain competitiveness	Overhead ratio 2021–23	6.25%	16%	14.5%	13%	17.5%	0%	0%
Rebuild backlog	Book-to-bill 2021–23	6.25%	1	1.2	1.4	1.39	96.5%	6.03%
Deliver operational excellence	Operational performance (on schedule, on budget)	6.25%	5%	15%	25%	0%[2]	0%	0%
Promote sustainability	Energy transition revenue 2021–23	6.25%	$550m	$850m	$1,150m	$2,800m	100%	6.25%
	Diversity (FTSE Women Leaders)	6.25%	25%	29%	33%	30.5%	76.6%	4.79%
	Reduction in greenhouse gas emissions	6.25%	(9%)	(14.5%)	(20%)	(16.4%)	75.4%	4.72%
	Employee engagement	6.25%	82	84.5	87	86	85.0%	5.31%
Strategic element vesting	**66.7%** of maximum							
Overall award vesting	**33.3%** of maximum							

1. Over the three performance period, the Company realised a cashflow position more favourable than the EBIT loss generated in the period. This results in a maximum payout for this metric.
2. A qualitative assessment by the Group Chief Executive of the PPI operational performance of the Company results in a 'below threshold' out-turn.

Annual Report on Remuneration continued

Share plan interests awarded during the financial year

Deferred Bonus Plan

The 2022 bonus was paid to Executive Directors half in cash and half in deferred shares under the Deferred Bonus Plan, vesting in equal tranches over one, two and three years from the date of award. As reported in the 2022 Annual Report and Accounts, as part of his joining arrangements, Tareq Kawash was granted an exceptional award under the Deferred Bonus Plan. Details of the actual number of shares granted are set out on page 135. The following table provides details of the awards made under the DBP during 2023:

	Type of award	Face value
Tareq Kawash	Deferred Bonus Shares	£500,000
Afonso Reis e Sousa		£100,000
Sami Iskander		£201,825

Awards were made to Tareq Kawash, Afonso Reis e Sousa and Sami Iskander on 3 May 2023, along with other members of senior management, based on a share price of 69.95 pence. The face values shown in the table above have been calculated on this basis. This share price represents the three-day average share price up to the respective date of award.

Performance Share Plan

As detailed in our remuneration policy, PSP awards are granted over ordinary shares, representing an opportunity to receive Petrofac shares if performance conditions are met over the relevant three-year period. The number of shares under award is determined by reference to a percentage of base salary. Details of the actual number of shares granted are set out on page 135. The following table provides details of the awards made under the PSP. Performance for these awards is measured over the three financial years from 1 January 2023 to 31 December 2025.

	Type of award	Face value	Face value (% of salary)	Threshold vesting (% of face value)	Maximum vesting (% of face value)	End of performance period
Tareq Kawash	Performance Shares	£2,024,999	300%	25%	100%	31 Dec 25
Afonso Reis e Sousa		£839,999	200%			

Awards were made to Tareq Kawash and Afonso Reis e Sousa on 3 May 2023, along with other members of senior management, based on a share price of 69.95 pence. The face values shown have been calculated on this basis. This share price represents the three-day average share price up to the respective date of award. While the Committee recognises that the share price had fallen over the preceding year, it was satisfied that the level of awards remained appropriate given that they remain subject to a cap, such that the maximum value that can be delivered in the year of vesting is limited to three times the face value of the award at the time of grant.

TSR element (50% of award):

The comparator group and vesting schedule for 2023 are set out in the following tables:

Comparator group:

Aker Solutions	Saipem	Technip FMC
Fluor Corporation	SNC Lavalin	Tecnicas Reunidas
Hunting	Subsea7	Worley Parsons
KBR, Inc	Samsung Engineering Co., Ltd	Wood Group (John)
Maire Tecnimont		

Vesting schedule:

Three-year performance against the comparator group	Vesting as a % of maximum
Less than median performance	0%
Median performance[1]	25%
Upper quartile performance[1]	100%

1. Straight-line vesting operates between these points.

Strategic element (50% of award):

The remaining 50% of the 2023 award is based on six key strategic measures. We believe these measures align our incentives with the delivery of critical long-term strategic goals. Each measure is subject to stretching targets over the three-year period. At this stage, the Committee considers the precise targets for the 2023 award to be commercially sensitive. However, we intend to provide detailed disclosure of targets and performance against those targets following the end of the performance period. The key strategic priorities and associated measures for the 2023 award are as follows:

Key strategic priorities	Performance measures 2023 to 2025	Weighting
Grow the revenue	Order intake	10%
Deleverage the balance sheet	Free cash flow	10%
Deliver sector-leading margins	Group EBIT margin	10%
Grow Energy transition	Group revenue from Energy transition	10%
Promote diversity	FTSE Women Leaders	5%
Protect the environment	Greenhouse gas emissions intensity	5%

Single total figure of remuneration for the Chair and Non-executive Directors

The following table sets out the total remuneration for the Chair and Non-executive Directors for the year ended 31 December 2023, with prior year figures also shown. All figures are presented in US dollars.

At 1 January 2023, the Non-executive Directors received a basic fee of £75,000 per annum, of which £5,000 per quarter was used to purchase Petrofac Limited shares. The basic Non-executive Director fee increased from £75,000 to £80,000 from 1 July 2023. Additional fees of £15,000 per annum are paid for acting as either the Chair of a Board Committee (excluding the Nominations Committee) or as the Senior Independent Director. The fees for acting as the Chair of a Board Committee (excluding the Nominations Committee) increased from £15,000 to £20,000 from 1 July 2023 and the fee for acting as the Senior Independent Director increased from £15,000 to £30,000 from 1 July 2023. At 1 January 2023, the Chair received a fee of £320,000 per annum, of which £20,000 per quarter was used to purchase Petrofac Limited shares. This fee increased from £320,000 to £350,000 from 1 July 2023. The increases to the fees paid to the Chair and the Non-executive Directors was the first such increase since 2018.

Aidan de Brunner was appointed to the Board as a Non-executive Director on 4 December 2024 to drive engagement with finance providers, investors and other stakeholders in an active review of strategic and financial options. Mr de Brunner acts as the Chair of the Special Committee.

	Committee membership and other responsibilities						Fees US$'000	
	Audit Committee	Compliance and Ethics Committee	Nominations Committee	Remuneration Committee	Special Committee	Other	**2023**	2022
Non-executive Directors[1]								
René Médori			Chair			Chair of the Board	**420**	375
Matthias Bichsel	Member	Member	Member	Chair		Senior Independent Director	**147**	124
Sara Akbar	Member		Member	Member			**97**	88
Ayman Asfari			Member		Member		**97**	88
David Davies	Chair	Member	Member				**119**	106
Francesca Di Carlo[2]		Chair	Member	Member			**119**	98
Aidan de Brunner[3]					Chair		**10**	–

Notes to the table

1. Non-executive Directors are paid in either Sterling, Euros or US dollars. All amounts above have been converted to US dollars based on the prevailing rate at the date of payment.
2. Francesca Di Carlo was appointed Chair of the Compliance and Ethics Committee on 27 May 2022.
3. Aidan de Brunner was appointed as a Director on 4 December 2023. The 2023 figure reflects the period from the respective date of appointment to 31 December 2023.
   Mr de Brunner additionally receives a fee of £41,667 per month for undertaking specialist services for the Company in relation to the Financial Restructure.

Annual Report on Remuneration continued

Statement of Directors' shareholdings and share interests

Directors' shareholdings held during the year and as at 31 December 2023 and share ownership guidelines

The number of shares held by Directors during the year and as at 31 December 2023 or as at the date of departure are set out in the table below, along with the progress against their respective shareholding requirements:

Director	% of salary held under shareholding guidelines	**Shares owned outright at 31 December 2023 or as at the date of departure**	**Interests in share incentive schemes, awarded subject to performance conditions at 31 December 2023**	Shares owned outright at 31 December 2022
Tareq Kawash[1,4]	2%	**94,584**	**2,894,924**	–
Afonso Reis e Sousa[2,4]	3%	**58,630**	**2,212,101**	43,683
Matthias Bichsel	–	**94,728**	**–**	68,219
René Médori	–	**522,572**	**–**	416,528
Sara Akbar	–	**94,728**	**–**	68,219
Ayman Asfari	–	**85,003,973**	**–**	84,972,155
David Davies	–	**116,076**	**–**	89,567
Francesca Di Carlo	–	**87,304**	**–**	60,795
Aidan de Brunner	–	**–**	**–**	–
Former Director				
Sami Iskander[3]	8%	**437,391**	**1,517,644**	437,391

1. Tareq Kawash is expected to build up a shareholding of three times salary. He was appointed as Group Chief Executive on 1 April 2023 and is yet to fulfil this shareholding guideline.
2. Afonso Reis e Sousa is expected to build up a shareholding of two times salary. He was appointed as an Executive Director on 1 September 2021 and is yet to fulfil this shareholding guideline.
3. Sami Iskander ceased to be an Executive Director from 31 March 2023. He is, however, expected to retain 100% of the shareholder guideline for two years following departure. As the shareholder guideline was not met prior to his departure from the Board, he is required to retain all vested shares until at least 31 March 2025.
4. For the purposes of determining Executive Director shareholdings, the individual's salary as at 31 December 2023 or at the date of leaving, and the share price as at 31 December 2023 of 37.40 pence per share have been used.

Share interests – share plan awards at 31 December 2023

Share awards held at the year-end, or at the date of leaving, including awards of shares made to Executive Directors during 2023, are shown in the table below:

Director and date of grant	Plan	Number of shares under award at 31 December 2022[1]	Shares granted in year	Shares lapsed in year	Shares vested in year	**Total number of shares under award at 31 December 2023**	Dates from which shares ordinarily vest
Tareq Kawash							
3 May 2023	PSP	–	2,894,924	–	–	2,894,924	8 April 2026
3 May 2023	DBP	–	714,796	–	178,699	536,097	18 September 2023
						3,431,021	
Afonso Reis e Sousa							
6 March 2020[2]	PSP	25,801	–	24,253	1,548	0	6 March 2023
6 March 2020[4]	DBSP	6,300	–	–	6,300	0	6 March 2023
25 May 2021[3]	PSP	245,694	–	–	–	245,694	25 May 2024
4 April 2022	PSP	765,550	–	–	–	765,550	4 April 2025
4 April 2022[5,6]	DBP	61,189	–	18,363	20,396	22,430	4 April 2023
3 May 2023	PSP	–	1,200,857	–	–	1,200,857	8 April 2026
3 May 2023	DBP	–	142,959	–	–	142,959	8 April 2024
						2,377,490	
Ayman Asfari							
6 March 2020[2]	PSP	127,871	–	120,199	7,672	0	6 March 2023
						0	
Former Director							
Sami Iskander							
23 April 2021[3,7]	PSP	1,759,658	–	635,434	–	1,124,224	23 April 2024
4 April 2022[7]	PSP	1,287,559	–	894,139	–	393,420	4 April 2025
4 April 2022[5,6]	DBP	280,893	–	102,030	93,631	85,232	4 April 2023
3 May 2023	DBP	–	288,527	–	–	288,527	8 April 2024
						1,891,403	

1. The award amounts disclosed under the PSP are the maximum number that may vest if all performance conditions attached to the awards are satisfied in full.
2. Following the end of the three-year performance period in respect of the March 2020 PSP award, the performance conditions were partially satisfied and therefore 6% of the maximum award vested on 27 April 2023.
3. The 2021 PSP award has partially satisfied the performance conditions and therefore 33.3% of the maximum award will vest. Based on a share price of 10.50 pence, which is the closing share price on 30 April 2024 (being the share price prior to the adoption of this report by the Committee), the value of the award made to Afonso Reis e Sousa, pro-rated for time based on the vesting period from when he was appointed as an Executive Director, would be £7,875. The value of the award made to Sami Iskander would be £39,308.
4. On 27 April 2023, a third of the 2020 DBSP award vested. The share price on the date of vesting was 62.21 pence. Following his appointment to the Board on 1 September 2021, no further awards under the DBSP will be made to Afonso Reis e Sousa.
5. On 27 April 2023, a third of the 2022 DBP award vested. The share price on the date of vesting was 62.21 pence.
6. The lapsed shares awarded under the Deferred Bonus Plan on 4 April 2022 reflect the reduction of the 2021 bonus in the amount of £106,621 for Mr Iskander and £19,189 for Mr Reis e Sousa, as reported in the 2022 Annual Report and Accounts.
7. The PSP shares awarded to Sami Iskander have been prorated for time, based on his leaving date of 31 March 2023.

This represents the end of the audited section of the report.

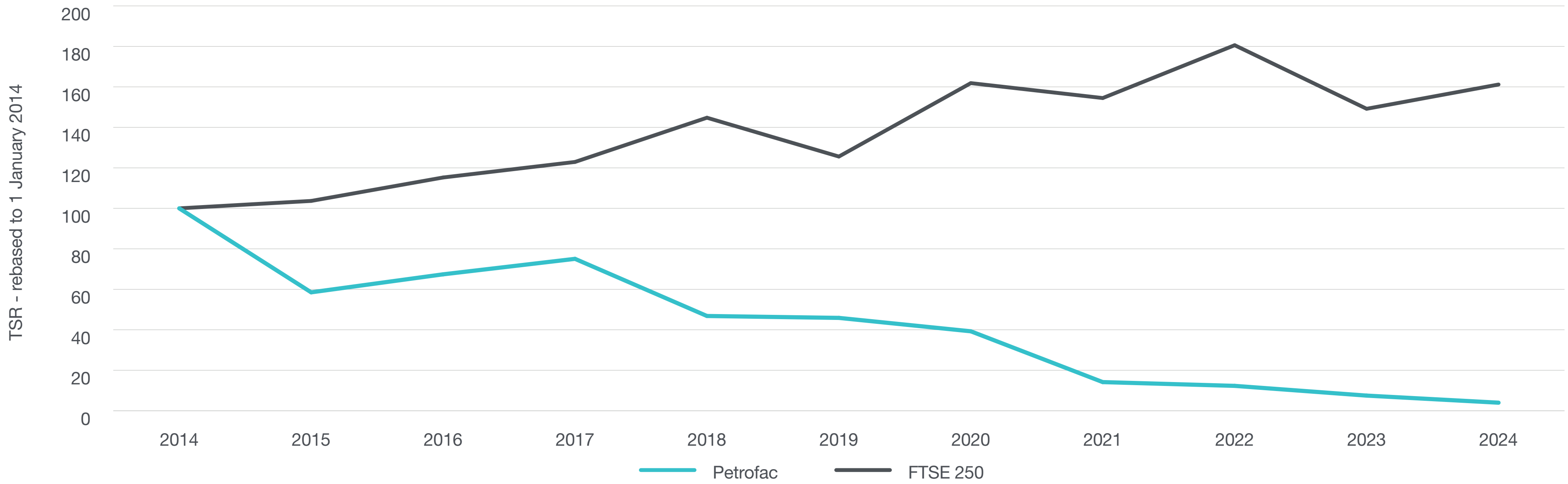
Annual Report on Remuneration continued

Historical TSR performance and Group Chief Executive remuneration outcomes

The chart below compares the TSR performance of the Company over the past 10 years with the TSR of the FTSE 250 Index. This index has been chosen because it is a recognised equity market index.

The table below the chart summarises the Group Chief Executive's single figure for total remuneration, annual bonus pay-outs and long-term incentive plan vesting levels as a percentage of maximum opportunity over this period.

TSR chart – one-month average basis



Group Chief Executive	2014	2015	2016	2017	2018	2019	2020	2021	2022	**2023**
Group Chief Executive single figure of remuneration (US$'000)	1,245	1,162	1,817	1,946	2,250	1,153	999	1,646[1]	1,415	**2,502**[2]
Annual bonus pay-out (as a % of maximum opportunity)	0%	0%	47.5%	60.4%	69.9%	0%	0%	37%[1]	30%	**49.9%**
PSP vesting out-turn (as a % of maximum opportunity)	0%	0%	0%	0%	0%	15.2%	16.1%	6%	6%	**33.3%**

1. Following the financial restatement in relation to the 2021 financial year, and in line with our Remuneration policy, the decision was taken by the Committee to recalculate the 2021 bonus awarded to Mr Iskander. This resulted in a reduction of the total bonus of £106,621. The figure shown in the table above reflects this restated amount. Further details are set out in the 2022 Annual report and accounts.

2. The 2023 value includes an exceptional award of £500,000 granted to Mr Kawash under the Deferred Bonus Plan to compensate him for awards forfeited on leaving his previous employer. Further details are set out on page 132.

Pay ratios of Group Chief Executive to UK employees

The table below illustrates the pay ratio of the Group Chief Executive to the 25th, median and 75th percentile of the total remuneration of the full-time equivalent UK employees.

Financial Year ended	Method	25th percentile pay ratio (lower quartile)	50th percentile pay ratio (median)	75th percentile pay ratio (upper quartile)
31 December 2023[1]	**Option A**	**1:31**	**1:24**	**1:20**
31 December 2022	Option A	1:18	1:14	1:12
31 December 2021	Option A	1:21	1:17	1:16
31 December 2020	Option A	1:16	1:12	1:10
31 December 2019	Option A	1:20	1:14	1:12
31 December 2018	Option A	1:33	1:25	1:23

1. The Group Chief Executive single figure used in the calculation of the 2023 ratios reflects the single figure for Tareq Kawash reported on page 129.

The Group Chief Executive's total remuneration is calculated on the same basis as the single figure of remuneration table set out on page 129. The lower, median and upper quartile employee's remuneration was calculated on full-time equivalent data as at 31 December 2023. Option A was chosen as it is considered to be the most accurate way of identifying the best equivalents of 25th, 50th and 75th percentile figures and is aligned with best practice and investor expectations.

In reviewing the employee pay data, the Committee is satisfied that the individuals identified within each category appropriately reflect the employee pay profile at those quartiles, and that the overall picture presented by the ratios is consistent with our pay, reward and progression policies for UK employees.

The following table provides further information on the total pay figures used for each quartile employee and the salary component within this:

Financial Year ended	Element of pay	CEO remuneration	25th percentile pay ratio (lower quartile)	50th percentile pay ratio (median)	75th percentile pay ratio (upper quartile)
31 December 2023	Salary	£720,054	£54,290	£70,178	£83,485
	Total Remuneration	£2,012,261	£64,217	£83,899	£99,209

Our Group Chief Executive pay ratio at the median has increased from 1:14 in 2022 to 1:24 in 2023. The pay ratio for 2023 is adversely impacted by the exceptional £500,000 Deferred Bonus Award made to Mr Kawash as part of his joining arrangements. The pay ratio for 2023 excluding the exceptional Deferred Bonus Award is 1:18.

Annual Report on Remuneration continued

Annual percentage change in Directors' remuneration compared with average employee remuneration

In accordance with The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, as applicable to an equivalent UK company, the table below illustrates the percentage change in each Executive and Non-executive Director's total remuneration, including salary, benefits (excluding cash allowance in lieu of pension) and annual bonus for Executives, and annual fees for Non-executives, compared with a representative group of the Company's employees. For these purposes, we have used all UK-based employees as the comparator group, as this represents the most appropriate comparator group for reward purposes:

	% change in base salary 2023/2022	% change in base salary 2022/2021	% change in base salary 2021/2020	% change in base salary 2020/2019	**% change in benefits 2023/2022[8]**	% change in benefits 2022/2021	% change in benefits 2021/2020	% change in benefits 2020/2019	**% change in annual bonus 2023/2022**	% change in annual bonus 2022/2021	% change in annual bonus 2021/2020	% change in annual bonus 2020/2019
René Médori[1]	**7.4%**	8.3%	-2.7%	-7.5%	**–**	–	–	–	**–**	–	–	–
Matthias Bichsel[1]	**13.9%**	5.8%	-1.9%	-5.4%	**–**	–	–	–	**–**	–	–	–
Sara Akbar[1]	**6.0%**	8.3%	-2.7%	-7.5%	**–**	–	–	–	**–**	–	–	–
Ayman Asfari[1,5]	**6.0%**	392.2%	-97.7%	-5.7%	**–**	–	–	0%	**–**	–	–	0%
David Davies[1]	**7.8%**	6.8%	-2.2%	-6.3%	**–**	–	–	–	**–**	–	–	–
Francesca Di Carlo[1,6]	**15.7%**	21.6%	-2.7%	-7.5%	**–**	–	–	–	**–**	–	–	–
Aidan de Brunner[7]	**–**	–	–	–	**–**	–	–	–	**–**	–	–	–
Tareq Kawash[2,3]	**–**	–	–	–	**–**	–	–	–	**–**	–	–	–
Afonso Reis e Sousa[2,4]	**7.1%**	–	–	–	**11.3%**	–	–	–	**67.4%**	–	–	–
All UK-based employees	**7.8%**	6.8%	5.3%	-3.2%	**11.3%**	0%	0%	0%	**14.6%**	-24%	100%	-100%

1. For the Non-executive Directors, fees are paid in US dollars, Sterling or Euros as determined by each Director. The table sets out the change in total fees. The Non-executive Director base fee increased from £75,000 to £80,000 from 1 July 2023. The fee for acting as the Chair of a Board Committee (excluding the Nominations Committee) increased from £15,000 to £20,000 from 1 July 2023 and the fee for acting as the Senior Independent Director increased from £15,000 to £30,000 from 1 July 2023. The Chair fee increased from £320,000 to £350,000 from 1 July 2023. This was the first increase in fees since 2018.
2. Base salary is paid in sterling but translated into US dollars based on the prevailing rate at the date of payment (as set out on page 129).
3. Tareq Kawash was appointed as Group Chief Executive on 1 April 2023.
4. Afonso Reis e Sousa was appointed as an Executive Director on 1 September 2021.
5. Ayman Asfari retired from the role of Group Chief Executive on 31 December 2020. He became a Non-executive Director with effect from 1 January 2021 and agreed to receive no Board fees between 1 January and 11 October 2021.
6. Francesca Di Carlo received the fee for the position of Chair of the Compliance and Ethics Committee from 27 May 2022 onwards.
7. Aidan de Brunner was appointed as a Director on 4 December 2023.
8. The increase reflects an enhancement to the medical cover provided to all eligible employees based in the UK.

Relative importance of the spend on pay

The chart below illustrates the change in total remuneration, dividends paid and net profit from 2022 to 2023.

The figures presented have been calculated on the following basis:

- Dividends – dividends paid in respect of the financial year
- Net profit – our reported net profit in respect of the financial year. This is a key performance indicator for the Company
- Total remuneration – represents total salaries paid to all Group employees in respect of the financial year (see note 5c for an explanation as to how this value is calculated). Note that this includes social security costs, benefit and pension costs and share-based payment expenses

Spend in respect of the financial year		US$m	
Dividends	2022	0	0%
	2023	**0**	
Net profit/(loss)	2022	(294)	(65.0)%
	2023	**(485)**	
Total remuneration	2022	708	9.0%
	2023	**772**	

2022 **2023**

Looking forward to 2024

Implementation of remuneration policy in 2024

This section provides an overview of how the Committee is proposing to implement our remuneration policy in 2024.

Base salary

The table below shows the base salaries for 2024 effective 1 April 2024:

	2024 basic salary from 1 April 2024	2023 basic salary to 31 December 2023
Tareq Kawash	**£708,750**	£675,000
Afonso Reis e Sousa	**£441,000**	£420,000

Benefits

The benefit framework will remain unchanged in 2024.

Cash allowances

The table below shows cash allowances for 2024:

	Cash allowances 2024		Cash allowances 2023	
	Pension	**Car**	Pension	Car
Tareq Kawash	**6.2% of salary**	**£20,000**	6.2% of salary	£20,000
Afonso Reis e Sousa	**6.2% of salary**	**–**	6.2% of salary	–

Chair and Non-executive Director remuneration

The table below sets out the fee structure payable to the Chair and Non-executive Directors for 2024:

	2024 fees
Chair of the Board fee	**£350,000**
Basic Non-executive Director fee	**£80,000**
Board Committee Chair fee	**£20,000**
Senior Independent Director fee	**£30,000**

Annual bonus

The maximum annual bonus opportunity for Executive Directors will remain at 200% of base salary for 2024. At least 60% of the bonus will be based on financial elements, with the remainder based on strategic elements. The Committee will set stretching 2024 targets following the conclusion of the Financial Restructure and will provide disclosure at the end of the performance year.

The annual bonus is subject to malus and clawback provisions as set out in more detail in our remuneration policy. The Committee also retains the option to apply an additional discretion as deemed appropriate, based on the performance of the Company or the relevant Director during the financial year under review.

Performance Share Plan

In recognition of the uncertainty surrounding the Financial Restructure, the Committee will review the appropriate structure of the Long Term Incentive Plan for 2024 and where appropriate will engage with shareholders ahead of implementation.

Annual Report on Remuneration continued

Post-employment shareholding guideline

Executive Directors are required to maintain 100% of their shareholding guideline (or actual shareholding at the point of departure, if lower) for a period of 24 months following departure.

Awards granted under any Company long-term incentive plan, which have vested but are subject to a holding period, will count towards the guideline (on a net of tax basis). The Company has implemented a mechanism for Executive Directors by which to enforce the application of these post-employment guidelines. As part of this arrangement, a restriction will be placed on shares held that will prevent their sale or transfer without prior authorisation by the Company until the guideline has been satisfied.

External board appointments

Executive Directors are normally entitled to accept one non-executive appointment outside the Company with the consent of the Board. Any fees received may be retained by the Director. As at the date of this report, no Executive Director holds an externally paid non-executive appointment.

Consideration by the Directors of matters relating to Directors' remuneration

Support for the Committee

During the year, the Committee received independent advice on executive remuneration matters from Deloitte LLP (Deloitte), which was formally appointed as advisor by the Committee in October 2005. Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operates under a code of conduct in relation to executive remuneration consulting in the UK.

The Committee has reviewed the advice provided by Deloitte during the year and is satisfied that it has been objective and independent. Total fees received by Deloitte in relation to the remuneration advice provided to the Committee during 2023 amounted to £84,500 based on the required time commitment. During 2023, Deloitte did not provide any other services to the Company.

The Secretary to the Board acts as Secretary to the Committee. During the year, the Group Chief Executive, Chief Financial Officer and the Group Director of Human Resources attended meetings on an ad hoc basis at the invitation of the Committee and provided information and support as requested. However, no individual was present when their own remuneration was being discussed.

Shareholder voting

The table below outlines the result of the advisory vote of the 2022 Directors' remuneration report received at the AGM held on 23 June 2023.

Annual Report on Remuneration

Number of votes cast excluding abstentions	For	Against	Abstentions
290,091,592	268,380,799	21,710,793	43,586
	92.52%	7.48%	

The table below outlines the result of the advisory vote of the 2022 Remuneration Policy received at the AGM held on 23 June 2023.

Remuneration Policy report

Number of votes cast excluding abstentions	For	Against	Abstentions
290,059,852	288,867,454	1,192,398	75,326
	99.59%	0.41%	

Governance

The Board and the Committee consider that, throughout 2023 and up to the date of this report, the Company has complied on a voluntary basis with the provisions set out in the UK Corporate Governance Code relating to Directors' remuneration. In addition, relevant guidelines issued by prominent investor bodies and proxy voting agencies have been presented to and considered by the Committee during its discussions.

The Committee endeavours to consider executive remuneration matters in the context of alignment with risk management and, during the year, had oversight of any related factors to be taken into consideration. The Committee believes that the remuneration arrangements in place do not raise any health and safety, environmental, social or ethical issues, nor inadvertently motivate irresponsible behaviour.

Availability of documentation

Service contracts and letters of appointment for all Directors are available for inspection by any person at our registered office in Jersey and at our corporate services office in London. They will also be available for inspection during the 30 minutes prior to the start of our 2024 AGM.

Annual General Meeting

As set out in my statement on pages 127 and 128, our Annual Report on Remuneration will be subject to advisory shareholder votes at the AGM to be held by the end of July 2024.

On behalf of the Board

MATTHIAS BICHSEL
Chair of the Remuneration Committee
31 May 2024

Directors' statement

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Accounts and the financial statements in accordance with applicable law and regulations.

The Directors have chosen to prepare the financial statements in accordance with IFRS Accounting Standards (IFRS). The Directors are also responsible for the preparation of the Directors' remuneration report, which they have chosen to prepare, being under no obligation to do so under Jersey law. The Directors are also responsible for the preparation of the corporate governance report under the UK Listing Rules and FRC regulations.

Companies (Jersey) Law 1991 (the 'Law') requires the Directors to prepare financial statements for each financial period in accordance with generally accepted accounting principles. The financial statements are required by law to give a true and fair view of the state of affairs of the Company at the period end and of the profit or loss of the Company for the period then ended. In preparing these financial statements, the Directors should:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable
- Specify which generally accepted accounting principles have been adopted in their preparation
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping proper accounting records, which are sufficient to show and explain the Company's transactions and to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements prepared by the Company comply with the requirements of the Law. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' approach

The Board's objective is to present a fair, balanced and understandable assessment of the Company's position and prospects, particularly in the Annual report and accounts, half-year results announcement and other published documents and reports to Regulators. The Board has established an Audit Committee to assist with this obligation.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report on pages 6 to 29. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 86 to 93. In addition, note 33 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit and liquidity risk.

The Board monitors closely the Group's cash flow forecasts and liquidity position throughout the year, including monitoring financial covenant headroom, to ensure it has sufficient financial resources. In addition, to support the going concern assessment, the Board reviews the Group's cash flow forecasts over the Assessment Period, considering the committed facilities available to the Group and also assessed the ongoing Financial Restructure.

The Board has considered several risks to these projections under a severe but plausible downside scenario as set out in note 2.5 to the financial statements and noted four material uncertainties (detailed on page 156) which are not entirely within the direct control of the Group.

Notwithstanding these material uncertainties, the Directors have assessed, as set out in note 2.5 to the consolidated financial statements, that the Group has adequate resources to continue in operational existence for the period of at least 12 months from the date of signing the Group financial statements to 31 December 2024. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Responsibility statement of the Directors in respect of the Annual Report

Each of the Directors listed on pages 102 and 103 confirms that, to the best of their knowledge:

- The Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy
- The financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole
- The Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

By order of the Board

AFONSO REIS E SOUSA
Chief Financial Officer
31 May 2024

financial statements

Independent Auditor's report
to the members of Petrofac Limited

Disclaimer of opinion
We were engaged to audit the consolidated financial statements of Petrofac Limited and its subsidiaries (the Group) for the year ended 31 December 2023 which comprise:

- Consolidated income statement for the year ended 31 December 2023
- Consolidated statement of comprehensive income for the year ended 31 December 2023
- Consolidated balance sheet at 31 December 2023
- Consolidated statement of cash flows for the year ended 31 December 2023
- Consolidated statement of changes in equity for the year ended 31 December 2023
- Related notes 1 to 34 to the financial statements, including a summary of material accounting policy information

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

We do not express an opinion on the accompanying financial statements of the Group. Because of the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion
As disclosed in note 1, the financial statements of the Group are prepared on the assumption that the Group will continue as a going concern and that there is a realistic alternative to liquidation or cessation of operations.

The Group is currently seeking to deliver a financial restructure (the Financial Restructure) to strengthen its balance sheet, improve liquidity and secure performance and advance payment guarantees to support its existing engineering, procurement and construction (EPC) contracts.

A critical assumption in the Directors' assessment of Going Concern is that the Financial Restructure can be successfully implemented within a time period in which liquidity can be maintained.

The court sanctioned restructuring plan through which the Financial Restructure is expected to be implemented will require at least 75% (by value) of those present, voting of 'an in money' class of creditors, such as the current lending group, comprising lending banks and noteholders, to vote in favour. At present the detailed terms of the Financial Restructure are yet to be determined and negotiated with stakeholders including the noteholders and bank lenders. Further, the Group has not, to date, received any commitments for the provision of performance guarantees that are required under the inter-conditionality of the Financial Restructure.

In maintaining short term liquidity there are in turn a range of key assumptions, including that enforcement action is not taken by bondholders after 15 June 2024 following the non-payment of US$29 million bond coupon on 15 May 2024, deferrals of the US$84 million amortisation payments in respect of the bank facilities will continue to be made (these currently only being granted on a rolling weekly basis) and that there are no significant unexpected demands on the Group's liquidity in the period ahead of a Financial Restructure, including enforcement action by other creditors.

In addition, the Group has received a notice of default from a key customer requiring a performance guarantee to be posted by 16 June 2024. The payment of related collateral requires lenders consent which has not yet been received. Failure to post this would entitle the customer to terminate the contract which could have a detrimental impact on liquidity and the Group's ability to proceed with the Financial Restructure.

As detailed in note 2.5, the Directors have identified a number of material uncertainties with respect to going concern which include the matters above. These are:

- The ability to maintain sufficient liquidity prior to the implementation of the Financial Restructure, including maintaining the support of the lending group, trade and other creditors without enforcement of their security rights.
- The successful implementation of inter-conditional elements of the Financial Restructure on terms consistent with those currently proposed, including new guarantees, agreement of terms with a sufficient majority of the lending group, approvals and Court sanction and final execution.
- The ability to secure performance and advance payment guarantees on normal commercial terms, following the Financial Restructure.
- The ongoing reliance on the timely receipt of a small number of relatively high value collections from clients.

Reflecting the interrelated nature of the above uncertainties, and the current status of the ongoing discussions with stakeholders as set out in note 2.5, we were unable to obtain sufficient appropriate audit evidence:

- that a successful restructuring is achievable in the necessary timeframe in order to maintain liquidity, in conjunction with securing future performance guarantees and advance payment guarantees, and
- as to whether there is a realistic alternative to liquidation or cessation of operations in order to provide a basis for us to issue an audit opinion on these financial statements,

The financial statements do not reflect the adjustments that would be required should the Group be unable to continue as a going concern.

Independent Auditor's report continued

to the members of Petrofac Limited

Matters on which we are required to report by exception

Not withstanding our disclaimer of opinion on the financial statements, we have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the company's accounting records and returns.

Arising from the limitation of our work in relation to going concern referred to above:

- we have not received all the information and explanations we require for our audit; and
- we are unable to determine whether proper accounting records have been kept by the Company in this regard.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

In respect of the following information relevant to this review, the significance of the matters described in the Basis for disclaimer of opinion section of our report means we are unable to form a view on the adequacy or otherwise of:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 141;
- Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 94;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 141; and
- Directors' statement on fair, balanced and understandable set out on page 121.

Notwithstanding the impact of the matters described in the Basis for disclaimer of opinion section of our report, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 70 to 77;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 120; and
- The section describing the work of the audit committee set out on pages 115 to 124.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 141, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the FRC's Ethical Standard as applied to a Market Traded Company under the ICAEW Crown Dependencies Audit Rules and Guidance, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, subject to the limitation set out in the basis for disclaimer paragraph above, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are International Financial Reporting Standards, the Companies (Jersey) Law 1991, the UK Corporate Governance Code, the UK Bribery Act, employment law, environmental regulations, health and safety, and tax legislation in the jurisdictions where the Group operates.
- We understood how the Group is complying with those frameworks by making enquiries of management, those charged with governance, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee, as well as by considering the results of our audit procedures across the Group. Our assessment considered the tone set from the top by senior management.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with individuals from various parts of the business to gather their views. We considered the programmes and controls that the Group has established to address the risks identified, or that otherwise prevent, deter or detect fraud, and how senior management monitors those programmes and controls. We engaged EY forensics specialists to provide input on specific aspects of our audit approach to risk of fraud and non-compliance with laws and regulations.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations that could give risk to a material misstatement in the financial statements. These procedures included:
  - responding to identified instances of non-compliance, as detailed below.
  - addressing the identified risks of management override, including around judgments and estimates, through audit work on identified fraud and significant risks and other procedures including journal entry testing.
  - assessment of the nature and cause of prior year adjustments for wider implications on the financial statements and control environment.
  - the provision of specific instructions to component teams including a specific work programme to address the risks of bribery and corruption.
  - enquires of Group management, those charged with governance, internal and external legal counsel, and internal audit.
- Our audit procedures responded to identified instances of non-compliance, these being detailed in the Audit Committee Report on pages 115 to 124. In response:
  - We engaged EY forensics specialists to assist the audit team in understanding and reviewing the investigative and assurance procedures performed by management and external specialists in response to identified instances of non-compliance. This included review of the independence and objectivity, scope, approach and conclusions of Petrofac employees and specialists engaged by management to respond to these instances. EY Forensics specialists performed incremental procedures where considered appropriate.
  - We communicated the nature of matters identified to component teams and designed and implemented a programme of additional audit procedures in order to seek further assurance that there were not other, unidentified, instances of non-compliance.
  - We audited the financial impact of these matters on the financial statements, including a resulting prior year adjustment relating to a previously recognised claim for variation on an E&C contract.

Other matters we address

- We were first appointed by the company to audit the financial statements for the year ending 31 December 2005 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is 19 years, covering the years ending 31 December 2005 to 31 December 2023.
- The audit opinion is consistent with the additional report to the audit committee.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group and we remain independent of the Group in conducting the audit.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DANIEL TROTMAN
for and on behalf of Ernst & Young LLP
London

31 May 2024

Consolidated income statement

For the year ended 31 December 2023

	Notes	**Business performance[1] US$m**	**Separately disclosed items US$m**	**Reported 2023 US$m**	Business performance[1] (restated)[2] US$m	Separately disclosed items US$m	Reported (restated)[2] 2022 US$m
Revenue	3	**2,496**	**–**	**2,496**	2,567	–	2,567
Cost of sales	5a	**(2,684)**	**–**	**(2,684)**	(2,667)	–	(2,667)
Gross loss		**(188)**	**–**	**(188)**	(100)	–	(100)
Selling, general and administration expenses	5b,6	**(202)**	**(25)**	**(227)**	(175)	(7)	(182)
Expected credit loss (charge)/reversal	5e	**(14)**	**–**	**(14)**	23	–	23
Other operating income	5f	**12**	**–**	**12**	23	–	23
Other operating expenses	5g	**(3)**	**–**	**(3)**	(5)	–	(5)
Operating loss		**(395)**	**(25)**	**(420)**	(234)	(7)	(241)
Finance income	6,7	**6**	**5**	**11**	7	–	7
Finance expense	6,7	**(119)**	**–**	**(119)**	(98)	(18)	(116)
Share of net profit of associates and joint ventures	16	**2**	**–**	**2**	5	–	5
Loss before tax		**(506)**	**(20)**	**(526)**	(320)	(25)	(345)
Income tax credit/(expense)	8a	**3**	**–**	**3**	(1)	(1)	(2)
Net loss		**(503)**	**(20)**	**(523)**	(321)	(26)	(347)
Attributable to:							
Petrofac Limited shareholders		**(485)**	**(20)**	**(505)**	(294)	(26)	(320)
Non-controlling interests	13	**(18)**	**–**	**(18)**	(27)	–	(27)
		(503)	**(20)**	**(523)**	(321)	(26)	(347)
Loss per share (US cents)							
Basic	9	**(93.4)**	**(3.9)**	**(97.3)**	(57.1)	(5.0)	(62.1)
Diluted	9	**(93.4)**	**(3.9)**	**(97.3)**	(57.1)	(5.0)	(62.1)

1. This measurement (before separately disclosed items) is shown by the Group as a means of measuring underlying business performance (i.e. excluding separately disclosed items); see note 2 and Appendix A.
2. The prior year numbers are restated; see note 2.9.

Consolidated statement of comprehensive income

For the year ended 31 December 2023

	Notes	**2023 US$m**	2022 (restated)[1] US$m
Reported net loss		**(523)**	(347)
Other comprehensive (loss)/income that may be reclassified to consolidated income statement in subsequent periods (post-tax)			
Net changes in fair value of derivatives designated as cash flow hedges	25	**1**	(1)
Hedging (gains)/losses reclassified to consolidated income statement	25	**(4)**	7
Foreign currency translation gains reclassified to the consolidated income statement	25	**(3)**	–
Foreign currency translation (losses)/gains	25	**(12)**	14
Other comprehensive (loss)/income that may be reclassified to consolidated income statement in subsequent periods		**(18)**	20
Other comprehensive loss that will not be reclassified to consolidated income statement (post-tax)			
Remeasurement loss on end of service benefit plans	27	**(5)**	–
Other comprehensive loss that will not be reclassified to consolidated income statement		**(5)**	–
Total comprehensive loss for the year		**(546)**	(327)
Attributable to:			
Petrofac Limited shareholders		**(528)**	(300)
Non-controlling interests	13	**(18)**	(27)
		(546)	(327)

1. The prior year numbers are restated; see note 2.9.

Consolidated balance sheet

At 31 December 2023

	Notes	2023 US$m	2022 (restated)[1] US$m
Assets			
Non-current assets			
Property, plant and equipment	12	**170**	244
Goodwill	14	**96**	96
Intangible assets	15	**26**	25
Investments in associates and joint ventures	16	**11**	30
Other financial assets	17	**250**	151
Deferred consideration	11	**59**	56
Income tax receivable		**20**	–
Deferred tax assets	8c	**1**	1
		633	603
Current assets			
Inventories	18	**11**	17
Trade and other receivables	19	**977**	739
Contract assets	20	**832**	1,324
Other financial assets	17	**86**	103
Income tax receivable		**19**	26
Cash and short-term deposits	21	**201**	450
		2,126	2,659
Total assets		**2,759**	3,262

	Notes	2023 US$m	2022 (restated)[1] US$m
Equity and liabilities			
Equity			
Share capital	22	**10**	10
Share premium	22	**251**	251
Capital redemption reserve	22	**11**	11
Employee Benefit Trust shares	23	**(38)**	(56)
Other reserves	25	**28**	56
Retained earnings		**(663)**	(153)
Equity attributable to Petrofac Limited shareholders		**(401)**	119
Non-controlling interests	13	**(35)**	(17)
Total equity		**(436)**	102
Non-current liabilities			
Provisions	27	**144**	135
Other financial liabilities	17	**79**	146
Deferred tax liabilities	8c	**16**	28
		239	309
Current liabilities			
Trade and other payables	28	**930**	865
Contract liabilities	20	**292**	155
Interest-bearing loans and borrowings	26	**784**	799
Other financial liabilities	17	**97**	114
Income tax payable		**48**	65
Accrued contract expenses	32	**691**	759
Provisions	27	**114**	94
		2,956	2,851
Total liabilities		**3,195**	3,160
Total equity and liabilities		**2,759**	3,262

The consolidated financial statements on pages 146 to 208 were approved by the Board of Directors on 31 May 2024 and signed on its behalf by Afonso Reis e Sousa – Chief Financial Officer.

1. The prior year numbers are restated; see note 2.9.

Consolidated statement of cash flows

For the year ended 31 December 2023

	Notes	2023 US$m	2022 (restated)[1] US$m
Operating activities			
Loss before tax		**(526)**	(345)
Separately disclosed items	6	**20**	25
Loss before tax and separately disclosed items		**(506)**	(320)
Adjustments to reconcile profit before tax and separately disclosed items to net cash flows:			
Depreciation, amortisation and business performance impairment	5a, 5b	**83**	79
Expected credit loss charge/(reversal) recognised	5e	**14**	(23)
Share-based payments	24	**8**	6
Difference between end of service benefits paid and amounts recognised in the consolidated income statement	27	**(3)**	(10)
Net finance expense before separately disclosed finance expense	7	**113**	91
Net movement in other provisions	27	**18**	12
Share of net profit of associates and joint ventures	16	**(2)**	(5)
Net foreign exchange gains and losses	16	**(18)**	35
Net other non-cash items		**(3)**	(3)
		(296)	(138)
Working capital movements:			
Inventories		**6**	7
Trade and other receivables		**(252)**	(101)
Contract assets	20	**495**	273
Restricted cash	17	**(112)**	26
Net derivative contracts – designated and undesignated	17	**(7)**	6
Trade and other payables		**59**	(95)
Contract liabilities	20	**135**	81
Accrued contract expenses		**(67)**	(38)
Net working capital movements		**257**	159

	Notes	2023 US$m	2022 (restated)[1] US$m
Cash (used in)/generated from operations		**(39)**	21
Separately disclosed items paid – operating costs		**(23)**	(115)
Net income taxes paid		**(35)**	(52)
Net cash flows used in operating activities		**(97)**	(146)
Investing activities			
Purchase of property, plant and equipment		**(10)**	(38)
Payments for intangible assets	15	**(6)**	(8)
Contingent consideration paid	17	**(4)**	(2)
Dividends received from associates and joint ventures	16	**4**	8
Receipts from Shanghai Zhenhua Heavy Industries Co Ltd in respect of JSD6000 vessel	17	**–**	5
Receipts from joint operation partners in respect of leases		**28**	28
Net cash flows from disposal of subsidiaries, including receipt against deferred and contingent consideration	6, 17	**(1)**	98
Net proceeds from disposal of investment in associates	6, 16	**13**	–
Proceeds from disposal of property, plant and equipment		**2**	1
Interest received		**6**	6
Net cash flows generated from investing activities		**32**	98
Financing activities			
Proceeds from interest-bearing loans and borrowings	17	**38**	62
Repayment of interest-bearing loans and borrowings	17	**(65)**	(36)
Repayment of lease liabilities	29	**(57)**	(54)
Interest paid		**(101)**	(86)
Net cash flows used in financing activities		**(185)**	(114)
Net decrease in cash and cash equivalents		**(250)**	(162)
Net foreign exchange difference		**1**	(8)
Cash and cash equivalents at 1 January		**450**	620
Cash and cash equivalents at 31 December	21	**201**	450

1. The prior year numbers are restated; see note 2.9.

Consolidated statement of changes in equity

For the year ended 31 December 2023

	Attributable to Petrofac Limited shareholders								
	Issued share capital US$m	Share premium US$m	Capital redemption reserve US$m	Employee Benefit Trust shares[1] US$m (note 23)	Other reserves US$m (note 25)	Retained earnings US$m	Total US$m	Non-controlling interests US$m	Total equity US$m
At 1 January 2022	10	251	11	(69)	42	168	413	10	423
Reported net loss (restated)[2]	–	–	–	–	–	(320)	(320)	(27)	(347)
Other comprehensive income	–	–	–	–	20	–	20	–	20
Total comprehensive income/(loss) (restated)[2]	–	–	–	–	20	(320)	(300)	(27)	(327)
Issue of Company's shares by Employee Benefit Trust (note 23)	–	–	–	13	(12)	(1)	–	–	–
Credit to equity for share-based payments charge (note 24)	–	–	–	–	6	–	6	–	6
At 31 December 2022 (restated)[2]	10	251	11	(56)	56	(153)	119	(17)	102
At 1 January 2023	**10**	**251**	**11**	**(56)**	**56**	**(153)**	**119**	**(17)**	**102**
Reported net loss	**–**	**–**	**–**	**–**	**–**	**(505)**	**(505)**	**(18)**	**(523)**
Other comprehensive loss	**–**	**–**	**–**	**–**	**(18)**	**(5)**	**(23)**	**–**	**(23)**
Total comprehensive loss	**–**	**–**	**–**	**–**	**(18)**	**(510)**	**(528)**	**(18)**	**(546)**
Issue of Company's shares by Employee Benefit Trust (note 23)	**–**	**–**	**–**	**18**	**(18)**	**–**	**–**	**–**	**–**
Credit to equity for share-based payments charge (note 24)	**–**	**–**	**–**	**–**	**8**	**–**	**8**	**–**	**8**
At 31 December 2023	**10**	**251**	**11**	**(38)**	**28**	**(663)**	**(401)**	**(35)**	**(436)**

1. Petrofac Limited shares held by Petrofac Employee Benefit Trust.
2. The prior year numbers are restated; see note 2.9.

Notes to the consolidated financial statements

For the year ended 31 December 2023

1 Corporate information

Petrofac Limited (the 'Company') is a limited liability company registered and domiciled in Jersey under the Companies (Jersey) Law 1991 and is the holding company for the international group of Petrofac subsidiaries. Petrofac Limited and its subsidiaries at 31 December 2023 comprised the Petrofac Group (the 'Group'). Information on the Group's subsidiaries, associates and joint arrangements is contained in note 34 to these consolidated financial statements. Information on the Group's related party transactions is provided in note 31. The Group's principal activity is to design, build, manage, maintain and decommission infrastructure for the energy industries.

The Group's financial statements (the 'consolidated financial statements') for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 31 May 2024. As indicated last year and as permitted under Article 105(11) of the Companies (Jersey) Law 1991, the Directors have elected not to present standalone Company financial statements, in order to simplify the Group's Annual Report.

2 Material accounting policy information

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Jersey law.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, financial assets measured at fair value and deferred consideration receivable that has been measured at fair value. The consolidated financial statements are presented in United States dollars and all values are rounded to the nearest million (US$m), unless otherwise stated.

2.2 Presentation of results

The Group uses Alternative Performance Measures (APMs) that are not defined or specified under IFRS when assessing and discussing the Group's financial performance, financial position and cash flows. The Group uses these APMs, which are not considered to be a substitute for or superior to IFRS measures, to provide stakeholders with useful information on underlying trends and additional useful information by adjusting for separately disclosed items which impact upon IFRS measures or, by defining new measures, to aid the understanding of the Group's financial performance, financial position and cash flows (refer to Appendix A for more details). Separately disclosed items are defined in note 2.8 and disclosed in note 6.

2.3 Adoption of new financial reporting standards, amendments and interpretations

Effective new financial reporting standards

The Group applied for the first time certain standards and amendments which are effective for annual periods beginning on or after 1 January 2023.

These standards and amendments are listed below but have not had a material impact on the consolidated financial statements of the Group:

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates – Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12. The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:
  - I. a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
  - II. disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The Group does operate in a small number of jurisdictions where the corporation tax rate is below 15%. The Group has assessed its exposure to Multinational Top Up Taxes and any impact is expected to be immaterial. Refer to note 8(b) for details. In addition, the Group has applied the exception in 'International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)' to recognising or disclosing information about deferred tax assets and liabilities related to OECD Pillar Two income taxes.

2.4 Financial reporting standards, amendments and interpretations issued but not yet effective

Certain new financial reporting standards, amendments and interpretations have been published that are not mandatory for the 31 December 2023 reporting period and have not been early adopted by the Group and the impact of these standards is not expected to be material for the Group.

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

2.5 Going concern

Introduction

The Directors performed a thorough going concern assessment to determine whether it is appropriate to adopt the going concern basis for the preparation of accounts.

The going concern assessment period is the period from the date of signing the Group's consolidated financial statements to 31 December 2025 (the Assessment Period).

The Directors concluded that it is appropriate to adopt the going concern basis of preparation, noting four material uncertainties were identified in their assessment, which include a number of events which are outside of the control of the Board. The details of these are set out in more detail in the final section of this note.

Current financial condition of the Group

The Group is seeking to implement a comprehensive refinancing (the Financial Restructure) to materially strengthen its balance sheet, improve liquidity and secure performance and advance payment guarantees to support current and future engineering, procurement and construction (EPC) contracts.

As described in this note, the Group is in a fragile financial condition and is subject to a range of material matters that are not in the Board's control. Further, these matters may evolve in the immediate or near term to cause the Group to enter insolvency.

The Financial Restructure discussed below is currently the only option to secure the future operations of the Group and active discussions are ongoing. The realistic alternative to the Financial Restructure is insolvency.

By virtue of not having paid the interest coupon under the terms of its senior secured notes of US$29 million on its due date of 15 May 2024, the Company is in default. The grace period for this payment expires on 14 June 2024, after which time, if not remedied, a sufficiently large group of noteholders, being above 25%, could initiate enforcement action. An ad hoc group of noteholders (the ad hoc group), representing approximately 41% of the outstanding senior secured notes, has entered into a forbearance agreement with the Company, agreeing not to take enforcement action in respect of the non-payment of the coupon until at least 30 June 2024.

To date, the Company has agreed deferrals of its contractual amortisation payments on its bank debt facilities, in part since October 2023, and more recently from April 2024, which now amount to US$84 million currently due on 31 May 2024. It is expected to continue to rely on further deferral of these obligations by its lenders, which to date, have been providing these for no longer than on a rolling weekly basis. The remaining balance of the Group's bank facilities, amounting to US$114 million will additionally become due on 30 October 2024, absent an alternative position to be agreed as part of the Financial Restructure.

Even without making payments to its noteholders and lenders, the Group forecasts to have minimal headroom above its US$75 million minimum liquidity covenant until the Financial Restructure is implemented. To maintain this liquidity, the Group is having to manage its payment obligations carefully, including by seeking to delay all but critical payments to creditors and by not funding obligations under operational joint venture arrangements.

Various restructuring options have been considered and reviewed since the formation of the Special Committee in December 2023 (page 110). Following the initial indicative proposal from the ad hoc group in April 2024, the terms of the Financial Restructure have not yet been defined and, further, it is not yet known whether the required inter-conditional support can be secured from other key stakeholders, including the remaining senior secured noteholders, lenders and providers of performance guarantees. If successful, the Financial Restructure is not expected to be implemented before September 2024, at the earliest, albeit with the necessary inter-conditional agreements being reached approximately one to two months prior to final implementation.

Securing approximately US$400 million of performance guarantees with limited collateral requirements is critical to the Financial Restructure. Initial exploratory discussions with potential providers were initiated in early 2024. These increased following receipt of the ad hoc group's proposal, and whilst discussions with them have been ongoing for several weeks since that time, the Group has not yet received commitments or firm expressions of interest.

Furthermore, the Group has not been able to meet its contractual obligations to provide performance guarantees in support of certain of the EPC contracts awarded in 2023, and consequently there is a risk that one or more of these contracts could be terminated. In particular, the Group has received a notice of default from a key customer requiring a performance guarantee to be posted by 16 June 2024. Failure to do so would entitle the customer to terminate the contract, which could have a detrimental impact on the liquidity of the Group and the Group's ability to proceed with the Financial Restructure. The Group has made arrangements to provide the performance guarantee, but requires bank lender consent for the posting of the required cash collateral. Discussions are ongoing but this consent has not yet been provided.

As part of the ongoing discussions, the lender group has required the Group to make preparations for alternative outcomes to a successful Financial Restructure, as set out below. The future intentions of the lender group cannot be known with certainty.

Criticality of the Financial Restructure to achieve a solvent outcome

The Directors' assessment of going concern is predicated on, amongst other considerations, the successful implementation of this Financial Restructure.

The key elements of the proposed Financial Restructure, which are inter-conditional, are expected to be as follows:

- conversion of a substantial portion of the Group's existing debt into equity, resulting in a material reduction in indebtedness, a return to positive equity for the Group, and a material reduction in annual interest expense;
- new debt funding of US$200 million, with a maturity date beyond the Assessment Period; and
- new performance guarantees of approximately US$400 million for existing contracts, with limited collateral requirements, which are expected to result in the release of over US$200 million of cash collateral and retentions.

The quantum and terms of the conversion of debt to equity are yet to be agreed with the lending group (noteholders and bank lenders).

The Company has received an indicative proposal from the ad hoc group, representing approximately 41% of the outstanding senior secured notes, indicating that they are willing to provide the new debt funding of US$200 million on a super senior basis, as well as US$100 million of credit support to help secure the performance guarantees for certain existing EPC contracts. This proposal is non-binding and is conditional upon, amongst other things, the Company securing approximately US$400 million of new performance guarantees, as part of the implementation of the Financial Restructure. Detailed terms are yet to be negotiated with the ad hoc group.

The remaining 59% of noteholders have not been wall-crossed to the Group's proposed Financial Restructure and have not been involved in the process to date and therefore, their support, or otherwise, for the Financial Restructure is currently unknown.

The Company has had discussions with around twenty credit institutions to secure the required performance guarantees of approximately US$400 million. While some of these institutions have indicated an expression of potential interest to provide guarantees, at the time of signing the accounts no commitments or firm expressions of interest have been received.

As discussed above, ahead of the Restructure, the Group requires bank lender consent for the posting of the required collateral for a performance guarantee on a key existing EPC contract ahead of 16 June 2024, which, if not posted, could result in the termination of this contract. Discussions are ongoing but this consent has not yet been provided.

The Financial Restructure is expected to be implemented through a restructuring plan under Part 26A of the Companies Act 2006. This will require at least 75% (by value) of at least one 'in the money' class of creditors, to vote in favour. Subject to finalisation of the terms of the Financial Restructure, an 'in the money' voting class constitutes the Company's senior secured noteholders, RCF and term loan bank lenders.

The Company maintains continuous dialogue with the ad hoc group (from whom it received the indicative proposal) and its lending banks, keeping them informed of the progress of the Financial Restructure as part of the engagement to secure the ongoing deferrals of scheduled amortisation payments. However, their support, or otherwise, for the final Financial Restructure is unknown.

The approval of other classes of existing or contingent creditors, that will also be affected by the Financial Restructure, is not required, provided those classes are not worse off under the plan than they would be under a viable alternative, potentially insolvent, process and the Court sanctions the restructuring plan.

The implementation of the Financial Restructure will also require shareholder approval for (among others, depending on the final terms of the Financial Restructure) the issuance of new shares as part of the debt-for-equity swap and the disapplication of pre-emption rights. A number of large shareholders have been briefed on the proposed Financial Restructure, having been wall-crossed. A draft combined prospectus and circular has been submitted to the Financial Conduct Authority and will be updated and published following finalisation of the terms of the Financial Restructure.

If successful, the Financial Restructure is not expected to be implemented before September 2024, at the earliest, due to the steps required including Court approval, albeit with the necessary inter-conditional agreements being reached approximately one to two months prior to final implementation.

The success and timing of the implementation of the Financial Restructure is uncertain and not within the control of the Board. Based on the status of discussion with stakeholders, and taking into account the advice from the Company's external financial, legal and liquidity advisors, the Directors have concluded that there is currently a reasonable prospect of the Group implementing the Financial Restructure which provides a realistic alternative to liquidation or cessation of operations. However, if negotiations with counterparties were to be unsuccessful within the time available to implement the Financial Restructure (see below), the Directors may change their view rapidly and the Company could therefore enter into insolvency proceedings with little notice.

In light of these risks, as part of the negotiations of the Financial Restructure, the Company's secured creditors have required the Board to work on various contingency plans including making preparations for alternative outcomes to a successful restructure. This includes changes to the Group structure to create a single point of enforcement. In addition, work has been required to evaluate which parts of the Group, if any, could be separated and continue to trade independently. These assessments are ongoing and expected to be completed prior to the implementation of the Financial Restructure. Such contingency plans, if enacted, in the absence of a successful implementation of the Financial Restructure, would likely result in the Company entering an insolvency process. The future intentions of Lender Group stakeholders in this regard cannot be known with certainty by the Board.

In the event of an unremedied default by the Company, the lending group could exercise their security rights which would likely result in the Company entering insolvency proceedings.

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

2.5 Going concern continued

Short-term Liquidity

The Directors' assessment of going concern also depends on the ability of the Company to maintain liquidity in the period up to the implementation of the Financial Restructure, which as noted above, is not expected to be implemented before September 2024, at the earliest. Failure to maintain sufficient liquidity prior to the Financial Restructure, could jeopardise the Financial Restructure and result in the Group entering into insolvency proceedings.

The Group is managing its liquidity carefully, through management of its payment obligations and working capital, and has engaged the services of an external liquidity advisor. It has remained in compliance with its minimum liquidity covenant of US$75 million, with the support of amortisation deferrals from its banks and by not paying the interest coupon on its senior notes that was due on 15 May 2024 and by seeking to defer all but critical creditor payments.

This non-payment constitutes a default under the terms of the senior secured notes, with a 30-day grace period which expires on 14 June 2024. The ad hoc group has entered into a forbearance agreement with the Company, agreeing not to take enforcement action in respect of the non-payment of the coupon until at least 30 June 2024. If the Financial Restructure cannot be sufficiently progressed within the grace period, there is a risk that other noteholders could take enforcement action following the 30-day grace period – which would require at least 25% of noteholders to initiate such proceedings – and could result in the Company entering into insolvency proceedings. The Company will seek to engage with the remaining noteholders ahead of this date.

In addition to the overdue interest coupon of US$29 million, the Group is unable to make payments of US$84 million amortisation in respect of the bank facilities which are due on 31 May 2024. Deferrals of these payments, which have grown over time, have been received since October 2023. To date, the lenders have been providing these for no longer than on a rolling weekly basis. The remaining balance of the bank facilities, amounting to US$114 million, becomes due on the maturity of the facilities on 30 October 2024, absent an alternative position to be agreed as part of the Financial Restructure. Continuing deferral of these amortisation payments is of critical importance to the Group's ability to maintain liquidity prior to the Financial Restructure without triggering a default. In the event of failure to secure new deferrals from lenders, the lenders would have a default and could accelerate their debt or enforce their security which would likely result in the Company entering insolvency proceedings.

Absent any enforcement action on the interest coupon or amortisation payments, the Group forecasts to have minimal headroom above its US$75 million minimum liquidity covenant until the Financial Restructure is implemented. Liquidity is being managed through seeking to delay all but critical payments of creditors and other payment obligations until liquidity is provided by cash from ongoing operations, and not funding obligations under operational joint venture arrangements.

Enforcement action by creditors on overdue payments or obligations, or delays in operational cash receipts may cause further demands on liquidity, which if sufficiently great could result in default on the debt facilities, if remedial action is not taken.

Notwithstanding these critical risks, the Group's projections show that it will be able to maintain liquidity at or above its covenant level until at least the end of September 2024 through continued working capital management. It is the Company's intention to conclude the Financial Restructure by the end of September 2024, which would require the restructuring plan to be launched at the beginning of July. This is not in the control of the Company, as it requires agreement to be reached with multiple stakeholders, some of which are yet to be involved in the process. If the launch is delayed, the timeline for implementation would need to be extended, exposing the Company to liquidity risks set out above for an extended period.

Approach

To evaluate whether it is appropriate to adopt the going concern basis for the preparation of accounts, the Directors reviewed the Group's short-term liquidity in the period before the proposed Financial Restructure, considered the feasibility of the Financial Restructure, and reviewed forecasts for the duration of the Assessment Period (following the Financial Restructure) under a downside scenario, considered to be severe but plausible, based on the principal risks and uncertainties as set out on pages 72 to 77 of the Group's Annual report and accounts for the year ended 31 December 2023.

In particular, the Directors:

- Reviewed the non-binding proposal from the ad hoc group, the progress of discussions with the other stakeholders, including the lending banks and existing and prospective guarantee providers, and the process and consents required to implement the Financial Restructure.
- Sought advice from the Company's external financial, legal and liquidity advisors to assess whether there is a reasonable prospect of the Financial Restructure being implemented, including the requirement to obtain shareholder approvals and receiving Court sanction, and that appropriate considerations were made by the Directors to conclude that the going concern basis of preparation was appropriate at the time of approving the financial statements.
- Forecast the Group's expected short-term cash flows to assess the ability of the Group to continue to maintain sufficient liquidity up to the Financial Restructure, including potential slippages in the timeline, noting that there is very limited headroom in the liquidity covenant during this period.
- Forecast the Group's liquidity following the Financial Restructure over the Assessment Period, based on management's best estimates of: new order intake; availability of performance and advanced payment guarantees; project and contract schedules and costs; timing and quantum of collections and commercial settlements; future commodity prices; oil and gas production; and capital expenditure.

- Modelled a severe but plausible downside scenario in the period following the proposed Financial Restructure, to reflect the impact of the Financial Restructure on the Group's liquidity and working capital, uncertainties inherent in forecasting future operational and financial performance, including changes in geo-political or macro-economic environments. These included but were not limited to: lower order intake; reduced access to guarantees; cost overruns; adverse or delayed commercial settlements; a deterioration in net working capital and adverse outcomes on contingent liabilities.
- Evaluated the mitigation actions deemed to be in the control of management, comprising the conservation of cash through working capital management and cost mitigation actions. Additional mitigations, such as the disposal of non-core assets and further working capital management, were not modelled as they are not entirely in the control of management.

The going concern assessment is based on the Group's ability to maintain liquidity above a minimum level of US$75 million under severe but plausible downside scenarios. This reflects the current minimum liquidity covenant under the Group's current bank facilities and then the expected level of liquidity required if the covenants are removed.

It is also based on the expected terms of the Financial Restructure, which are yet to be negotiated with the relevant counterparties, including the assumption that the Group's borrowing facilities, following the Financial Restructure, will consist solely of listed debt instruments without financial covenants.

A key remaining assumption in the severe but plausible case is that, whilst some reductions are modelled, performance guarantees and advance payment guarantees are available to the Group in the period after the Financial Restructure, without collateral being required. Were these not to be secured over the forecast period, or significant collateral required, positive liquidity would be difficult to maintain.

The Directors have also performed a stress test analysis which extended the severe but plausible downside scenario analysis by modelling the impact of no new orders being secured in the Assessment Period and of no advance payments being received on existing contracts. The Group would not maintain positive liquidity under the stress test scenario, which would result in the Group entering into insolvency proceedings.

Key Risks

In summary, the risks to which forecast cash flows are most sensitive are: (i) the ability to maintain sufficient liquidity prior to the implementation of the Financial Restructure; (ii) the implementation of the Financial Restructure; (iii) the ability to secure performance and advance payment guarantees following the Financial Restructure; (iv) working capital movements, in particular the receipt of high value one-off collections; and (v) contract cost overruns. Individually or in combination, these risks could have a significant impact on the Group's ability to maintain sufficient liquidity over the Assessment Period.

The first two risks are covered in detail in the sections Short-term Liquidity and Importance of the Financial Restructure, above:

(i) *Securing performance and advance payment guarantees following the Financial Restructure:* the Group is required to provide bank guarantees in favour of its EPC clients, a standard industry requirement. Performance guarantees are usually a contractual requirement, and advance payment guarantees are required to collect the associated cash advances.

It is expected that the Financial Restructure will restore the Group's ability to secure guarantees in the future, on normal commercial terms, including advanced payment guarantees for approximately US$200 million. Continued delays in obtaining guarantees could lead to the termination of existing contracts and affect the Group's ability to win and deliver new contracts and/or the timing of the receipt of cash flows. (Principal Risk: Financial Risks – Loss of financial capacity, see page 76).

(ii) *Contract collections:* there are a small number of relatively high value one-off collections of E&C working capital within the Assessment Period. These are not entirely within the control of the Group and may be subject to adverse commercial settlements or timing delays. (Principal Risk: Financial Risks – Loss of financial capacity, see page 76).

(iii) *Contract cost overruns:* the Directors noted that the impact of identified cost increases on E&C contracts was reflected in the Group's financial performance to 31 December 2023 and in future margin forecasts. Approximately 90% of the E&C backlog relates to awards secured in 2023, and is therefore not affected by the historical COVID-19 related delays and overruns that affected the legacy portfolio. For this reason, the Directors have concluded that the risk of cost increases during the Assessment Period is lower than in prior periods. (Principal Risk: Operational Risks – Operational and project performance, see page 74).

As a result of the significant increase in the E&C backlog, which more than tripled in 2023, and the expectation of further awards under the TenneT Framework Agreement in the Assessment Period, the sensitivity to new contract awards has reduced during the Assessment Period, compared with previous assessments. (Principal Risks: Strategic Risks – Low order intake, Failure to deliver strategic initiatives and Failure to deliver energy transition strategy, see pages 73 to 74).

Assessment

The Directors considered the following factors in their going concern assessment:

- The critical importance of the Financial Restructure and the status of discussions with the various stakeholders, as discussed above.
- The Group's short-term liquidity position ahead of the Financial Restructure, and required actions to maintain this, as discussed above.
- The expectation that, following the proposed Financial Restructure, the Group will have a stronger balance sheet, expecting to be in a net cash position and to have positive equity.
- As a result of the materially strengthened balance sheet and improved liquidity resulting from the Financial Restructure, the Group expects to be able to secure future performance and advanced payment guarantees on normal commercial terms (i.e. without onerous collateral requirements).
- Following the assumed successful implementation of the Financial Restructure, the Group is forecast to retain sufficient liquidity to support operations, and settle debts as they become due throughout the remainder of the Assessment Period, in the mitigated severe but plausible downside scenario, which has been modelled on a consistent basis as for prior periods' assessments. This assumes no changes to the expected principal terms of the agreements to be reached with the relevant stakeholders, including the absence of financial covenants and access to performance and advance payment guarantees.

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

2.5 Going concern continued

Assessment continued

- The Group had a contract backlog of US$8.1 billion at 31 December 2023, following the US$7.1 billion of new awards in 2023, and a strong 18-month bidding pipeline of US$60 billion, including the expectation of further contract awards under the TenneT Framework Agreement in the Assessment Period.
- The Group has a proven track record of taking timely actions, within the control of management, to effectively mitigate downside risks, including working capital management, cost cutting and asset divestments.
- A significant proportion of the collections for which there is timing uncertainty relate to existing contractual entitlements of the Group.
- There are additional actions available to management, including further working capital management, asset disposals, and other opportunities, such as favourable commercial settlements, which management believe could result in liquidity improvements to mitigate risks, albeit they are not all wholly within their control and therefore not included in the assessment, and are unlikely to be possible prior to the Financial Restructure.

Basis of preparation and conclusion

The Directors reviewed and carefully evaluated relevant available information in order to reach a conclusion on the appropriate basis of preparation of the accounts. A summary of the Group's challenging financial position at the date of signing these financial statements and the current status of the various elements of the ongoing discussions with stakeholders in respect of the Financial Restructure are summarised at the beginning of this note.

Having assessed whether or not there is a reasonable prospect of the Group managing short-term liquidity and implementing the Financial Restructure which provides a realistic alternative to liquidation or cessation of operations, and the forecast liquidity in the mitigated severe but plausible scenario for the remainder of the Assessment Period, the Directors concluded that it is appropriate to adopt the going concern basis for the preparation of accounts. The financial statements do not contain the adjustments that would result if the Group were unable to continue as a going concern.

However, noting the matters described above, the Directors identified four material uncertainties that cast significant doubt upon the Group's ability to continue as a going concern during the Assessment Period for the Group's financial statements for the year ended 31 December 2023. These are:

- The ability to maintain sufficient liquidity prior to the implementation of the Financial Restructure, including maintaining the support of the lending group, trade and other creditors without acceleration of their debt or enforcement of their security rights.
- The successful implementation of the inter-conditional elements of the Financial Restructure on terms consistent with those currently proposed, including new guarantees, agreement of terms with the lending group, approvals and Court sanction and final execution.
- The ability to secure performance and advance payment guarantees on normal commercial terms, following the Financial Restructure.
- The ongoing reliance on the timely receipt of a small number of relatively high value collections from clients.

Within these uncertainties, there are a number of events which are outside of the control of the Board and may result in the Group entering insolvency in the immediate or near term, including:

- The Group is, and is expected to continue to be, unable to make contractual amortisation payments of US$84 million on its debt facilities that are due 31 May 2024. The lenders have continued to require one-week extensions to this on a rolling weekly basis so could accelerate their debt within a week at any subsequent point.
- The Group is in default and is expected to continue to be unable to make the payment of the interest coupon of US$29 million on its senior secured notes, with a sufficiently large group of noteholders being able to take enforcement action from 14 June 2024.
- The Group has received a notice of default from a key customer requiring a performance guarantee to be posted by 16 June 2024. Failure to do so would entitle the customer to terminate the contract, which could have a detrimental impact on the Group's ability to proceed with the Financial Restructure. The Group has made arrangements to provide the performance guarantee, but requires bank lender consent for the posting of the required cash collateral. Discussions are ongoing but this consent has not yet been provided.
- Absent any acceleration or enforcement action on the interest coupon or amortisation payments, liquidity is being managed through seeking to delay all but critical payments of creditors and other payment obligations, including not funding obligations under operational joint venture arrangements. Enforcement action by creditors on overdue payments or obligations, or delays in operational cash receipts or the termination of customer contracts may cause further demands on liquidity, which if sufficiently great could result in default on the debt facilities, if remedial action is not taken.
- Agreement from key stakeholders that they will not support or participate in the Financial Restructure could result in the Financial Restructure not being capable of being implemented.

2.6 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries) as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a voting rights majority results in control. Net profit or loss and each component of other comprehensive income (OCI) are attributed to Petrofac Limited shareholders and to non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group ceases to control a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the consolidated income statement. Any investment retained is recognised at fair value.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All transaction costs associated with business combinations are charged to the consolidated income statement in the reporting period of such combination. Any contingent consideration to be transferred by the Group will be recognised at fair value at the acquisition date.

Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as a liability that is a financial instrument and within the scope of IFRS 9 'Financial Instruments', is measured at fair value with the changes in fair value recognised in the consolidated income statement in accordance with IFRS 9.

Goodwill is initially measured at cost, being the excess of the aggregate consideration transferred and the fair value of the net assets acquired together with the amount recognised for non-controlling interests, and any previous interest held. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units (CGUs) that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Impairment is determined by assessing the recoverable amount of the cash-generating units to which the goodwill relates.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Investment in associates and joint arrangements

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those considerations applied to determine control over subsidiaries.

Associates and joint ventures

The Group's investments in its associates and joint ventures are accounted for using the equity method.

The consolidated income statement reflects the Group's share of the net profits of the associate or joint venture.

Any unrealised gains and losses resulting from transactions between the Group and associates and joint ventures are eliminated to the extent of the Group's ownership interest in these associates and joint ventures.

The financial statements of the associates and joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to align the accounting policies with those of the Group.

At the end of each reporting period, the Group determines whether there is objective evidence that its investment in its associates or joint ventures are impaired. If there is such evidence, the Group estimates the amount of any impairment as the difference between the recoverable amount of the associate or joint venture and its carrying amount and recognises this impairment loss in the consolidated income statement.

Joint operations

The Group's interests in joint operations are recognised in relation to its interest in a joint operation's:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

For joint operations, the Group's share of revenue earned and expenses incurred are recognised in the consolidated income statement. Assets controlled and liabilities incurred by the Group are recognised in the consolidated balance sheet.

Foreign currency translation

The consolidated financial statements are presented in United States dollars (US$).

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Functional currency is defined as the currency of the primary economic environment in which the entity operates. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to net profit or loss reflects the amount that arises from using this method.

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

2.6 Basis of consolidation continued

Foreign currency translation continued

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on the settlement or translation of monetary items are recognised in other operating income or other operating expenses line items, as appropriate, of the consolidated income statement.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Group subsidiaries

On consolidation, the assets and liabilities of subsidiaries with non-United States dollars functional currencies are translated into United States dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at monthly average rates. The exchange differences arising on translation for consolidation are recognised in the consolidated statement of comprehensive income. On disposal of a subsidiary with non-United States dollars as a functional currency, the component of the consolidated statement of comprehensive income relating to currency translation is recognised in the consolidated income statement.

On consolidation, unrealised foreign exchange differences on intra-group balances arising from translation of foreign operations are presented in the reconciliation of profit before tax and separately disclosed items to cash generated from operations in the consolidated statement of cash flows.

2.7 Significant accounting judgements and estimates

The preparation of the consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, separate to those involving estimations (see below), which have the most significant effect on the amounts recognised in the consolidated financial statements:

Significant judgements associated with revenue recognition

- Revenue recognition on fixed-price engineering, procurement and construction contracts: the Group measures progress and recognises revenue on fixed-price engineering, procurement and construction contracts using the input method, based on the actual cost of work performed at the end of the reporting period as a percentage of the estimated total contract costs at completion.

  The Group considers the input method to faithfully depict the Group's performance in transferring control of goods and services to the customer and provides meaningful information in respect of progress towards the satisfaction of performance obligations on its contracts.
- In the early stages of contract completion, the outcome of a contract generally cannot be estimated reliably. The Group has established a threshold where contract revenues are recognised only to the extent of costs incurred to reflect this uncertainty. This threshold has been applied by the Group using a rebuttable presumption that contracts below 15% completion cannot yet be estimated reliably; however, judgement may be applied to deviate from this threshold dependent upon an objective evaluation of operational and contractual risks, e.g. taking into account contract value, duration, geography, complexities involved in the execution of the contract, past experience with the customer, and risk mitigations.
- Management applies certain judgements associated with recognition and non-recognition of variable consideration, such as assessed variation orders and liquidated damages. The factors considered when determining whether to recognise variable consideration, together with the associated estimation uncertainty, are discussed below under section 'Estimation uncertainty'.
- Revenue recognition on joint arrangement contracts: the Group recognises its share of revenue and profit from contracts executed as part of a consortium in accordance with the agreed consortium contractual arrangement. In selecting the appropriate accounting treatment, the main consideration is the determination of whether the joint arrangement is a joint operation or joint venture (though not directly related to revenue recognition, this judgement has a material impact on presentation in the consolidated income statement) in accordance with IFRS 11 'Joint Arrangements'.

Significant judgements associated with contingent liabilities and provisions

Management applies significant judgements in determining whether it has a present or a possible obligation to disclose a contingent liability or a probable obligation to recognise a provision in the consolidated financial statements (note 27). Management, in certain instances, takes into consideration legal advice from its legal counsel and external legal advisors as well as independent specialist advice, to determine the probability of an outflow of resources embodying economic benefits that will be required to settle the obligation, if determined. Typically, the contingent liabilities include pending legal and tax cases with regulatory authorities and/or third parties; see note 30.

Significant judgements associated with climate change-related risks

In response to the Paris Agreement goals, the Group has set a target to reduce its net GHG emissions (Scope 1 and Scope 2) to zero by 2030. The Group continues to develop its assessment of the potential impacts of climate change and the transition to a low-carbon economy. The Group's current climate change strategy focuses on reducing GHG emissions, investing in low-emission technologies, supporting emission reductions in the value chain and promoting product stewardship, managing climate-related risk and opportunity, and working with clients and sub-contractors as they develop their policies and responses, and diversifying its client base.

The Engineering & Construction and Asset Solutions operating segments are by their nature not asset-intensive. Consequently, the Group's activities, with the exception of the PM304 business, are inherently less dependent on its own physical assets or infrastructure, and as a result, at 31 December 2023, only 16% of total assets were non-current assets excluding non-current restricted cash (2022: 17%) and only 6% were property, plant and equipment (2022: 7%). As the climate-related risks are dynamically changing, the Group regularly assesses the impact of these risks on the significant judgements applied in the preparation of the Group's financial statements.

The Group's assessment indicates that it has limited exposure to climate-related risks. Estimates which are exposed to climate-related risks but are not considered significant judgements are analysed below:

- Revenue and cash flow forecasts in respect of the Group's IES operating segment are directly dependent on commodity prices. As the current forecasts are limited to the remaining period up to the contractual end date of the current Production Sharing Contract in 2026 (note 6), the forecast commodity prices are not aligned to the Paris Agreement goals.
- Property, plant and equipment (note 12): consists primarily of oil and gas assets and facilities relating to Block PM304, land and buildings, and other small assets. Block PM304 includes capitalised decommissioning costs of US$56m (2022: US$54m). The oil and gas assets and facilities have an assumed estimated useful life to 2026 and therefore the future impact of climate-related risks on oil prices does not have a material impact on the carrying value of the Group's oil and gas assets and facilities. The building and leasehold assets are expected to have minimal exposure to climate-related risks, including any specific risks associated with their locations. Vehicles and office furniture and equipment also have insignificant climate-related risks and have overall useful economic lives ending before 2030.
- Goodwill is allocated to the Engineering & Construction cash-generating unit (CGU) (US$41m) and the Asset Solutions CGU (US$55m). The underlying businesses are forecast to generate sufficient cash flows over the next five years to support these current carrying values.
- Intangible assets include customer contracts pertaining to W&W Energy Services Inc and Group-wide digital IT systems. Those assets will be fully amortised by 2030 and therefore the risk related to climate change is minimal.

Future changes to the Group's climate change strategy or global decarbonisation milestones may impact the Group's significant judgements and key estimates in future reporting periods. Any future change to the Group's climate change strategy could impact its Net Zero target and the Group's significant judgements and key estimates.

Significant judgements associated with the preparation of the consolidated financial statements on a going concern basis

Management is required to assess the appropriateness of the parent and the Group's consolidated financial statements being prepared on a going concern basis; for details see note 2.5.

Estimation uncertainty, including residual impact of the Covid-19 pandemic

The principal assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below:

Fixed-price engineering, procurement and construction contracts

- Recognition of assessed variation orders (AVOs) pending customer approval: an AVO is a management estimate of payment due from the customer resulting from a customer-instructed change in the contractual scope of work or for the reimbursement of costs not included in the contract price. The assessment for contract modification is based on discussions with the customer and a range of factors, including contractual entitlement, prior experience of the customer and of similar contracts with other customers. When such modifications or changes to contract are approved in writing, by oral agreement or implied by customary business practices including where the parties have yet to reach final agreement on changes in scope or pricing (or both) but where the Group believes it has an enforceable right to payment, the Group recognises revenue and profit from AVOs using the expected value approach. It assesses/reassesses AVOs at contract inception and at each reporting date recognising an AVO only when it is considered highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the AVO is subsequently resolved. In performing the assessment, management considers the likelihood of any such resolution being made by reference to the contract, independent specialist advice, customer communications, past experience with the customer and other forms of documentary evidence. At 31 December 2023, AVOs of US$360m were recognised in the consolidated balance sheet (2022 restated: US$354m), of which US$351m (2022 restated: US$348m) was included within the contract assets; and US$9m (2022: US$6m) was included as an offset against contract liabilities; see note 20. Where AVOs pending customer approval are not subsequently resolved in the Group's favour, this could result in reductions to, or reversals of, previously recognised revenue. The AVOs recorded in the financial statements are in respect of a number of contracts, with AVOs relating to three contracts representing approximately 71% of the total balance recorded. Whilst it is assessed as highly probable that there will not be a significant subsequent reversal of revenue associated with recognised AVOs, subsequent resolution of these may result in settlement in excess of, but occasionally below, the AVO recorded in the financial statements. Settlement of the outstanding AVOs at an increase or decrease of 5% would result in an increase or decrease in revenue of US$20m.
- Liquidated damages (LDs): LDs are contractual penalties applied by customers, normally relating to failure of the Group to meet agreed performance and progress outcomes. The Group estimates the application of LDs using the expected value approach and recognises an associated amount as a reduction to contract revenue unless it is highly probable that LDs will not be imposed. The Group reassesses its exposure to LD applications at each reporting date. The estimation of LDs is highly judgemental and requires a deterministic probability assessment of the monetary amount of LDs liable. The estimation involves a number of management judgements and estimates including the contractual position and the relationship with the customer, negotiations with the customer specifically relating to extensions of time (EoT) for excusable delays, and past experience with the customer. Historical LDs incurred and paid have not been significantly different to the estimated value of LDs recognised by the Group. Any unfavourable outcome compared with management's current expectation may affect the revenue to be recognised in future periods and consequently would impact the financial performance and cash flows for future periods. This estimate may impact revenues and contract assets or contract liabilities.

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

2.7 Significant accounting judgements and estimates continued

Fixed-price engineering, procurement and construction contracts continued

- Estimate of contract costs at completion: at the end of the reporting period the Group is required to estimate costs at completion on fixed-price EPC contracts, based on the work to be performed beyond the reporting period. This involves an objective evaluation of contract progress against the delivery schedule, evaluation of work to be performed and the associated risks and costs to fully deliver the contract to the customer. On contracts where it is considered probable that contract costs will exceed revenues at contract completion and the costs of fulfilling the contract are less than the compensation or penalties arising from a failure to fulfil it, the Group recognises an onerous contract provision in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' for future losses. At 31 December 2023, the estimated at-completion contract costs represented management's best estimate of contract costs, including where applicable costs incurred as a result of Covid-19 pandemic-induced delays. In addition, cost reduction measures taken by the Group were also included in the estimated at-completion contract costs. Estimated costs at completion are exposed to a variety of uncertainties as noted above, that depend on the outcome of future events; these individual events make it impracticable to present sensitivity analysis across a larger number of individual contracts. However, the estimates from these contracts, in aggregate, could have a material impact on revenues, cost of sales, contract assets and contract liabilities.
- While the adverse impact of Covid-19 on the Group's operations has declined significantly, due to the long-duration nature of contracts (primarily) in the Engineering & Construction operating segment, the economic and financial risks associated with the legacy portfolio impacted by the pandemic still remain which could result in changes to estimates and could have an impact on the Group's financial performance, financial position and cash flows in the next 12 months.
- The Thai Oil Clean Fuels contract is a highly complex and large-scale contract to transform the existing oil refinery in Sriracha, on the East coast of Thailand, into an environmentally-friendly facility that will produce higher quality transportation fuels. The scope of work encompasses engineering, procurement, construction start-up and commissioning services and includes improvements and expansion at the existing facility as well as the addition of new complex processing units, all required utilities and supporting facilities. The project will increase the refinery's production capacity from 275,000 barrels per day to 400,000 barrels per day.

  It is being delivered by a consortium of three joint venture partners working collaboratively, with defined scope split. The joint venture partners have joint and several liability for the execution of the contract. At 31 December 2023, the contract was 83% complete based on value of work done. Unfortunately, due to the complexity and unique elements of the contract, losses have been incurred and reflected in the Group's historic financial statements.

  At the time of reporting the full year 2023 results, and as reflected in the Group's trading updates throughout 2023 and 2024, the Company and its joint venture partners remain engaged with its client in relation to the reimbursement of additional project costs. However, management has not progressed discussions sufficiently to recognise the expected outcome of the negotiations and the resulting recoveries in its accounts.

  Therefore, whilst the financial statements represent management's current best estimate of the financial outcome of the contract, this is subject to estimation uncertainty of both contract costs at completion and the final agreed level of reimbursement and additional revenue awarded by the client.

  Management has assessed the range of likely possible outcomes and expects to reach a settlement with its client that results in a commercial outcome no worse than the position assumed in the financial statements.

Income tax and deferred tax

- Income tax: Group entities are routinely subject to tax audits and assessments, including processes whereby tax return filings are discussed and agreed with the relevant tax authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the uncertain tax treatments for jurisdictions where there is a probable future outflow, based on the applicable law and regulations, historic outcomes of similar audits and discussions, independent specialist advice and consideration of the progress and nature of current discussions with the tax authority concerned. Where management determines that a greater than 50% probability exists that the tax authorities would accept the position taken in the tax return, amounts are recognised in the consolidated financial statements on that basis. Where the amount of tax payable or recoverable is uncertain, the Group recognises a liability or asset based on either management's judgement of the most likely outcome or, when there is a wide range of possible outcomes, a probability weighted average approach. This requires the application of judgement as to the ultimate outcome, which can change over time depending on emerging facts and circumstances. Provisions are reviewed on an ongoing basis; however, the resolution of tax issues can take a considerable period of time to conclude, and it is possible that amounts ultimately paid will be different from the amounts provided. The carrying amount of uncertain tax treatments (UTTs), recognised within the income tax payable line item of the consolidated balance sheet at 31 December 2023, was US$54m (2022: US$59m). The change in the total uncertain tax position during the year reflects the outcomes of tax audits and certain settlements during 2023. Whilst a range of outcomes is reasonably possible for open uncertain tax items, the Group believes that it has made appropriate provision for periods which are not yet agreed with the tax authorities and hence the sensitivity of this range is likely to be between US$nil and US$54m. The potential impact of the OECD Pillar Two framework and the new federal corporate tax regime in the UAE is covered in more detail in note 8b.

Recoverable value of oil and gas assets

- Block PM304 oil and gas asset in Malaysia had a recoverable amount of US$73m (2022: US$86m). The recoverable amount, which was based on fair value less cost of disposal, was higher than the asset's carrying amount, resulting in a reversal of impairment charge of US$7m (2022: US$6m) in the period (note 6). The Group's fair value less cost of disposal estimate includes an assessment of future field performance and future oil price assumptions (note 6). The fair value less cost of disposal is not materially sensitive to the discount rate applied due to the licence end date in 2026. In addition, the cash outflows in respect of the provision for decommissioning (note 27) were based on the remaining licence period.

Fair value of embedded derivative

- The terms of the Revolving Credit Facility provide for the Group to pay a certain proportion of losses incurred by an original lender to facilitate any transfer of its commitment under the facility to another lender. This has been classified as an embedded derivative on initial recognition and subsequently remeasured at fair value through profit or loss. The fair value of the embedded derivative as at 31 December 2023 was estimated at US$17m (2022: US$22m) (Level 2 of the 'fair value hierarchy' contained within IFRS 13 'Fair Value Measurement') resulting in a separately disclosed fair value gain of US$5m in the Corporate reporting segment (note 6). The fair value of the embedded derivative is most sensitive to the current size of the Revolving Credit Facility, the time to maturity of the embedded derivative and the market yields of other debt instruments issued by the Company. Improvement in the Group's credit risk will reduce the financial liability but an adverse change to the Group's credit rating will not materially impact the fair value of the embedded derivative.

Deferred consideration measured at fair value through profit or loss

- Deferred consideration relating to disposal of the JSD6000 installation vessel (the 'vessel'): the deferred consideration relating to the 2018 disposal of the vessel represents a contractual right to the Group for 10% of the value of the vessel, and is recognised as a non-current asset in the consolidated balance sheet. The deferred consideration was initially measured and recognised at fair value and is subsequently remeasured at fair value through profit or loss. The fair value of the deferred consideration considers management's recent discussions with the Group's partner in relation to the status of construction of the vessel and is based on the assumption that the Group's partner has the continued intent and the required capabilities to complete the construction and commissioning of the vessel, noting that sea trials have already begun and a potential charter customer identified. The fair value is also subject to change based on changes in the market value of similar specification deep-water vessels. Furthermore, factors impacting changes in the global demand for oil and gas and reduction in oil prices could have an adverse impact on the fair valuation of the vessel. At the end of each reporting period, management reviews its estimate to reassess these factors and consider their impact on the fair value of the deferred consideration, and to conclude whether a corresponding gain or loss needs to be recognised in the consolidated income statement. Management reviewed the carrying amount of the deferred consideration at year-end and concluded that there was a fair value increase of US$3m (2022: US$1m) to a total value of US$59m.

  Supporting this assessment was an independent shipbroker's valuation (a Level 3 measurement of the 'fair value hierarchy' contained within IFRS 13 'Fair Value Measurement'), corroborating a fair value range for the deferred consideration of between US$57m and US$60m.

2.8 Significant accounting policies

Revenue from contracts with customers

The Group's principal activity is to design, build, manage and maintain infrastructure for the energy industries. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The Group provides warranties to customers with assurance that the related product will function as the parties intended because it complies with agreed-upon specifications. The Group does not provide warranties as a service, in addition to the assurance that the product complies with agreed-upon specifications, in its contracts with customers. As such, the Group concluded that such warranties are assurance-type warranties which will continue to be accounted for under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

Engineering & Construction

The Group provides fixed-price engineering, procurement and construction services and reimbursable engineering, procurement and construction management services to the onshore and offshore oil and gas industry as well as renewable energy industries. Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when or as it transfers control over a good or service to a customer.

The services provided under fixed-price engineering, procurement and construction contracts are satisfied over time rather than at a point in time, since the customer controls the works covered by the contract as the relevant asset is being built; the construction activity creates an asset that does not presuppose an alternative use to what it was designed for and the Group is entitled to collect payment for services while construction is underway and the customer simultaneously receives and consumes the benefits provided by the Group. For fixed-price engineering, procurement and construction contracts, the Group measures progress and recognises revenue using the input method. This method is based on the actual cost of work performed, as a percentage of the estimate at completion cost at the end of the reporting period, once the outcome of a contract can be estimated reliably. In the early stages of contract completion, when the outcome of a contract cannot be estimated reliably, contract revenues are recognised only to the extent of costs incurred that are expected to be recoverable.

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

2.8 Significant accounting policies continued

Engineering & Construction continued

Fixed-price engineering, procurement and construction contracts contain distinct goods and services, but these are not distinct in the context of the contract and are therefore combined into a single performance obligation. At contract inception management generally considers the following factors to determine whether the contract contains a single performance obligation or multiple performance obligations:

- Whether it provides a significant service of integrating the goods or services with other goods or services promised in the contract into a bundle of goods or services that represent the combined output or outputs for which the customer has contracted
- Whether one or more of the goods or services significantly modifies or customises, or are significantly modified or customised by, one or more of the other goods or services promised in the contract
- Whether the goods or services are highly interdependent or highly interrelated

Contract modifications are generally not distinct from the existing contracts due to the significant integration service provided in the context of the contract and are accounted for as a modification of the existing contract and performance obligation, with a cumulative catch-up adjustment to revenue.

Variable consideration, e.g. variation orders (including those pending customer approval), liquidated damages and incentive payments are assessed/reassessed using the following, as appropriate:

- the expected value approach (i.e. the sum of probability-weighted amounts in a range of possible consideration amounts); or
- the most likely amount method (i.e. the single most likely outcome of the contract, which may be an appropriate estimate of the amount of variable consideration if the contract has only two possible outcomes e.g. the Group either achieves a performance bonus or does not).

Variable consideration is recognised as contract revenue at contract inception and at the end of each reporting period where it is considered highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

In performing the assessment, management considers the likelihood of such variable consideration being received by reference to the contract, anticipated performance on the contract, independent specialist opinions, customer communications, past experience with the customer and other forms of documentary evidence.

Revenues from cost-plus-fee contracts and reimbursable contracts are recognised using the input method for measuring progress towards complete satisfaction of the performance obligation.

An onerous contract provision is recognised where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Advance payments received from customers for fixed-price engineering, procurement and construction contracts are structured primarily for reasons other than the provision of finance to the Group (e.g. mobilisation costs), and they do not provide customers with an alternative to pay in arrears as determined at the inception of the contract. In addition, the length of time between when the customer settles the amount to which the Group has an unconditional right to payment and when the Group transfers goods and services to the customer is relatively short. Therefore, the Group has concluded that there is not a significant financing component within such contracts. Currently, excluding normal retention payments, the Group does not have any contracts where, at the inception of the contract, the payment terms extend significantly once the Group has transferred goods and services to the customer.

Asset Solutions

The Group's contracts with customers for the provision of reimbursable engineering and production services include distinct performance obligations based on the assessment that the service is capable of being distinct both individually and within the context of the contract. The services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Group and recognised using the input method for measuring progress towards complete satisfaction of the performance obligation. Where the contract with customers includes distinct performance obligations but the margins on that contract, at inception, is negligible or zero, the Group recognises the revenue as the performance obligation is satisfied over time, and discloses this revenue as 'pass-through' revenue (note 3).

Variable consideration, e.g. incentive payments and performance bonuses, are estimated at contract inception and at the end of each reporting period using the most likely amount approach, where the outcome is expected to be binary and where it is considered highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Revenues from fixed-price contracts are recognised using the input method, measured by milestones completed or earned value once the outcome of a contract can be estimated reliably. In the early stages of contract completion, when the outcome of a contract cannot be estimated reliably, contract revenues are recognised only to the extent of costs incurred that are expected to be recoverable.

The Group does not generally receive advances from customers for its reimbursable engineering and production services contracts.

Integrated Energy Services equity upstream investments
Revenue from sale of crude oil and gas comprise the Group's share of sales of hydrocarbons from the Group's upstream investments. Revenue is recognised when control has been passed to the buyer, i.e. the last outlet flange of the loading facility from where the goods are transferred to the customer.

Separately disclosed items
Separately disclosed items are individually material or significant irregular items of income and expense which the Directors believe should be separately disclosed in the income statement, to assist in understanding and fairly present the underlying financial performance achieved by the Group, by virtue of their nature or size. These are then summarised in note 6 of the consolidated financial statements, where further explanations and disclosures provide supplementary information to support the understanding of the Group's financial performance. Examples of items which may give rise to disclosure as separately disclosed items include the contribution of impairments of assets, fair value remeasurements, losses on acquisitions and disposals, discontinuation of certain business activities, restructuring and redundancy costs, significant business transformation costs, certain corporate reporting segment professional services fees, loss on accelerated receipt of deferred consideration, material deferred tax movements arising due to foreign exchange differences in jurisdictions where tax is computed based on the functional currency of the country, and other significant one-off events or transactions.

The estimation of uncertain tax positions and their resolution are not routinely classified as separately disclosed items because they arise as part of business performance operations. However, in circumstances where the underlying transaction or event driving a tax gain or loss meets the definition of a separately disclosed item then the related tax gains and losses are also assessed to determine whether classification as a separately disclosed item is appropriate.

Property, plant and equipment
Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment charges. Cost comprises the purchase price or construction cost and any costs directly attributable to making that asset capable of operating as intended. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Depreciation is provided on a straight-line basis, other than for oil and gas assets. The table below sets out the estimated useful economic life applied to each category of asset:

Oil and gas assets	unit of production on a field-by-field basis (see below)
Oil and gas facilities	8 to 10 years (or lease term if shorter)
Buildings and leasehold improvements	3 to 20 years (or lease term if shorter)
Plant and equipment	3 to 7 years (or lease term if shorter)
Office furniture and equipment	2 to 4 years (or lease term if shorter)
Vehicles	3 to 5 years (or lease term if shorter)

Oil and gas assets are depreciated, on a field-by-field basis, using the unit-of-production method based on entitlement to proven and probable reserves, taking account of estimated future development expenditure relating to those reserves.

Each asset's estimated useful economic life, residual value and method of depreciation is reviewed and adjusted if appropriate at the end of the reporting period. No depreciation is charged on land or assets under construction.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use with any gain or loss included in the other operating income line item in the consolidated income statement when the asset is derecognised.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to note 27 for further information about the decommissioning provision recognised.

In accordance with IFRS 16 'Leases', the Group has elected to present right-of-use assets within the property, plant and equipment line item of the consolidated balance sheet, at the commencement date of the lease (i.e. the date at which the underlying asset is available for use). The right-of-use assets are presented within the same asset category as that within which the underlying assets would be presented if they were owned. The disaggregated information for right-of-use assets presented within the property, plant and equipment line item of the consolidated balance sheet is disclosed in note 12.

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease; that is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
Right-of-use assets
Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

Right-of-use assets are subject to the same impairment requirements as those applicable to property, plant and equipment; see accounting policies associated with impairment of non-current assets.

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

2.8 Significant accounting policies continued

Leases continued

Group as a lessee continued

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, if the interest rate implicit in the lease is not readily determinable, the Group uses the incremental borrowing rate, defined as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment, at the lease commencement date.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group's lease liabilities are included in other financial liabilities line items of the consolidated balance sheet; see note 17.

The Group makes certain judgements in determining the lease term for any contract that is or contains a lease:

- The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised
- The Group has the option to renew the lease term for some of its leases. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that affects its ability or likelihood to exercise (or not to exercise) the option to renew (e.g. a change in business strategy)
- The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date and whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys the right to use the asset

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its leases of property, plant and equipment that have a lease term of 12 months or less. It also applies the lease of low-value assets recognition exemption to leases of property, plant and equipment that are considered of low value (i.e. below US$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term in cost of sales or selling, general and administration expenses line items of the consolidated income statement.

If the lease contract is cancellable by both lessee and lessor with no or insignificant penalty then the lease contract is considered to be cancellable and recognised as a short-term lease; refer to note 29 for amounts recognised in the consolidated income statement associated with the short-term and low-value asset leases.

Group as a lessor

When the Group acts as a lessor, at lease inception it determines whether each lease is a finance lease or an operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Amounts due from lessees under finance leases are recognised as receivables equal to the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9 'Financial Instruments', recognising an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivable, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

Oil and gas intangible assets

Expenditure directly associated with evaluation (or appraisal) activities is capitalised as an intangible oil and gas asset. Such costs include the costs of acquiring an interest, appraisal well drilling costs, payments to contractors and an appropriate share of directly attributable overheads incurred during the evaluation phase. For such appraisal activity, which may require drilling of further wells, costs continue to be recognised as an asset whilst related hydrocarbons are considered capable of commercial development. Such costs are subject to technical, commercial and management review to confirm the continued intent to develop, or otherwise extract value. When this is no longer the case, an impairment of the costs capitalised as an intangible is recognised in the consolidated income statement. When such assets are declared part of a commercial development, related costs are transferred to property, plant and equipment. All intangible oil and gas assets are assessed for any impairment prior to transfer and any impairment charge is recognised in the consolidated income statement.

Non-oil and gas intangible assets

Intangible assets acquired in a business combination are initially measured at cost, being their fair values at the date of acquisition, and are recognised separately from goodwill where the asset is separable or arises from a contractual or other legal right and its fair value can be measured reliably. After initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment charges.

Intangible assets with a finite life are amortised over their useful economic life using a straight-line method unless a better method reflecting the pattern in which the asset's future economic benefits are expected to be consumed can be determined. The amortisation charge for intangible assets is included in the cost of sales or selling, general and administration expenses line items of the consolidated income statement. The expected useful lives of assets are reviewed on an annual basis. Intangible assets are tested for impairment whenever there is an indication that the asset may be impaired. The estimated useful economic life of customer contracts is 10 years from initial recognition.

Software-as-a-Service arrangements

The Group's current SaaS arrangements are arrangements in which the Group does not control the underlying software used in the arrangement.

Software development costs incurred to configure or customise application software provided under a cloud computing arrangement and associated fees are recognised as operating expenses as and when the services are received where the costs represent a distinct service provided to the Group. When such costs incurred do not provide a distinct service, the costs are recognised as expenses over the duration of the SaaS contract.

The Group capitalises other software costs when the requirements of IAS 38 'Intangible Assets' are satisfied, including configuration and customisation costs which are distinct and within the control of the Group. Such software costs are capitalised and carried at cost less any accumulated amortisation and impairment, and amortised on a straight-line basis over the period in which the developed software is expected to be used. Amortisation commences when the development is complete and the asset is available for use and is included in the selling, general and administration expenses line item of the consolidated income statement. The amortisation is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates.

The estimated useful economic life for software and IT digital systems is five to seven years.

Contract assets and contract liabilities

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Fixed-price engineering, procurement and construction contracts are presented in the consolidated balance sheet as follows:

- For each contract, the revenue recognised at the contract's measure of progress using the input method, after deducting progress payments received or amounts receivable from the customers, is presented within the contract assets line item in the consolidated balance sheet as work in progress
- The amounts recognised as work in progress are adjusted for any expected credit loss allowance considering the probability of default of the counter party. The probability of default data for the counterparty is estimated with input from a third-party provider

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Fixed-price engineering, procurement and construction contracts are presented in the consolidated balance sheet as follows:

- Where the payments received or receivable for any contract exceed revenue recognised, the excess is presented within the contract liabilities line item in the consolidated balance sheet as billings in excess of cost and estimated earnings

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

2.8 Significant accounting policies continued

Fair value measurement

The Group measures financial instruments, such as derivatives, and contingent consideration receivable at fair value at each reporting date. Fair value related disclosures for financial instruments are disclosed in note 17.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Unadjusted quoted prices in active markets for identical financial assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

For assets and liabilities that are remeasured in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial assets and financial liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as 'subsequently measured at amortised cost', 'fair value through other comprehensive income (OCI)', and 'fair value through profit or loss'. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 'Revenue from Contracts with Customers'.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are generally classified in the following categories:

- Amortised cost
- Financial assets at fair value through profit or loss

Amortised cost

This category is the most relevant to the Group and generally applies to trade and other receivables, receivable from joint operation partners for leases, deferred consideration receivables and advances relating to provision for decommissioning liability. The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in the consolidated income statement when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the consolidated balance sheet at fair value with net changes in fair value recognised in the consolidated income statement.

The fair value changes to undesignated forward currency contracts are reported within the other operating income and other operating expenses line item in the consolidated income statement.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include, if any, cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. For other financial assets measured at amortised cost, ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). There was no significant increase in the credit risk for such financial assets since the initial recognition.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs (a lifetime ECL). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. An impairment analysis by each operating segment is performed at each reporting date under the Group's established policies and procedures. Engineering & Construction and Integrated Energy Services operating segments that involve small populations of high-value receivables apply the probability of default data relating to each individual counterparty to calculate expected credit loss allowance at each reporting date. The probability of default data for the counterparty is sourced from a third-party provider.

The Asset Solutions operating segment involves a large population of low-value receivables and applies a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The expected credit loss calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and where possible, forecasts of future economic conditions. The amount of ECLs are sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off only when there is no reasonable expectation of recovering the contractual cash flows, based on the contractual position agreed with the customer, contract close-out negotiations or objective evidence of the customer's inability to pay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and trade and other payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, senior secured notes, loans and borrowings including bank overdrafts, derivative financial instruments and lease liabilities.

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

2.8 Significant accounting policies continued

Financial liabilities continued

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in the following categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial liabilities at fair value through profit or loss

Gains or losses on liabilities held for trading are recognised in the consolidated income statement.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition only if the criteria in IFRS 9 'Financial Instruments' are satisfied. Contingent consideration payable related acquisitions is designated as a financial liability measured at fair value through profit or loss (see note 17).

Financial liabilities at amortised cost (loans and borrowings)

This category generally applies to trade and other payables (note 28), interest-bearing loans and borrowings (note 26) and lease liabilities (note 17). After initial recognition, interest-bearing loans and borrowings and lease liabilities are subsequently measured at amortised cost using the EIR method.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance expense in the consolidated income statement.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

If an existing financial liability is replaced by another from the same lender, on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the consolidated income statement.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts, commodity swaps and interest rate swaps to hedge its risks associated with fluctuations in foreign currency values, commodity prices and interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the consolidated income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of commodity swap contracts is based on the forward Brent curve and the fair value of the interest rate swaps is based on the forward three-month curve of the applicable reference rate.

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The Group formally designates and documents the relationship between the hedging instrument and the hedged item at the inception of the transaction, as well as its risk management objectives and strategy for undertaking various hedge transactions. The documentation also includes identification of the hedging instrument, the hedged item or transaction, the nature of risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in the hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship, as follows:

Cash flow hedges

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in the consolidated statement of comprehensive income in net unrealised gains/(losses) on derivatives, while the ineffective portion is recognised in the consolidated income statement. Amounts taken to other comprehensive income are transferred to the consolidated income statement when the hedged transaction affects the consolidated income statement.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs and affects the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the consolidated income statement.

Share-based payments

Employees (including Executive Directors) of the Group receive remuneration in the form of share-based payment, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted.

The cost of equity-settled transactions is recognised in the cost of sales or selling, general and administration expenses line items in the consolidated income statement, together with a corresponding increase in other reserves line item in the consolidated balance sheet, over the period in which the relevant employees become entitled to the award (the 'vesting period'). The cumulative expense recognised for equity-settled transactions at the end of the reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated income statement for a period represents the movement in cumulative expense recognised from the beginning to the end of the reporting period.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Equity awards cancelled, such as in the case of good leavers, are treated as vested immediately on the date of cancellation, and any expense not recognised for the award at that date is immediately recognised in the consolidated income statement.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Decommissioning liability

The Group records a provision for decommissioning costs in respect of the Group's obligation for the removal of facilities and restoration of Block PM304 in Malaysia. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the consolidated income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

End of service benefits

Liabilities recognised in respect of end of service benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. The present value of the obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. The liability is recognised as employee services are received. Remeasurements, comprising of actuarial gains and losses, excluding amounts included in net interest income or expense on end of service benefits, are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

2.8 Significant accounting policies continued

Income taxes

Income tax expense represents the sum of current income tax and deferred tax.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on all temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred tax assets are recognised only to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences and carried forward tax credits or tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the balance sheet date.

Current and deferred tax is charged or credited directly to other comprehensive income or equity if it relates to items that are credited or charged to, respectively, other comprehensive income or equity. Otherwise, income tax is recognised in the consolidated income statement.

2.9 Prior year adjustment

The Group has identified errors in previously reported financial information and therefore, the prior year comparatives have been adjusted for the following restatements:

1. During the year, a review was conducted by management into one of the contracts in the E&C portfolio, as part of the process for completing the audit of the Group's associated subsidiary 2022 financial statements, and it was established that certain information had been provided by third-party advisors prior to the approval of the Group's consolidated financial statements for the year ended 31 December 2022. However, this information was not shared with the Group's Executive team nor the Group's external auditors until after the approval of the Group's consolidated financial statements, in contravention of the Group's established policies and procedures. A thorough investigation concluded this reflected poor judgement rather than any intent to mislead.

   The information provided by the third-party advisors was integral to management's judgement and assessment in respect of an AVO recognised on that contract in 2021 and had it been evaluated prior to the approval of the Group's consolidated financial statements, the highly probable criteria for continued recognition of the AVO would not have been met. Consequently, this would have resulted in an adjusting post balance sheet event reflecting a reduction in revenue and an additional pre-tax loss of US$24m.

   The Group has assessed the impact of this error as material to the Group's consolidated financial statements and consequently restated the comparative figures included in the 2022 financial statements. This restatement affected the consolidated income statement, the consolidated balance sheet and the consolidated statement of cash flows, as shown on the table of affected financial statement line items. There was no impact on amounts reported as at 1 January 2022.

2. The Group conducted a review of the criteria and methodology for measurement of current tax liabilities, taking into account relevant tax laws and prevailing tax rates. As a result of this review, it was identified that tax releases in certain tax jurisdictions amounting to US$6m related to developments and events that occurred in prior periods (rather than representing a change in accounting estimate during 2023) and a further US$8m related to errors in translating foreign currency balances. As the errors relate to the comparative period, this restatement has affected the consolidated income statement and the consolidated balance sheet (but not the consolidated statement of cash flows), as shown on the table of affected financial statement line items. There was no impact on amounts reported as at 1 January 2022.

The affected financial statement line items are as follows:

	31 Dec 2022 As reported US$m	Restatement 1 US$m	Restatement 2 US$m	31 Dec 2022 Restated US$m
Income statement impact				
Revenue (note 3)	2,591	(24)	–	2.567
Cost of sales	(2,667)	–	–	(2,667)
Gross loss	(76)	(24)	–	(100)
Selling, general and administration expenses	(182)	–	–	(182)
Operating loss	(217)	(24)	–	(241)
Finance expense (note 7)	(116)	–	–	(116)
Loss before tax	(321)	(24)	–	(345)
Income tax expense (note 8)	(16)	–	14	(2)
Net loss	(337)	(24)	14	(347)
Net loss attributable to Petrofac Limited shareholders	(310)	(24)	14	(320)
Loss per share (US cents)				
Loss per share – basic and diluted (note 9)	(60.2)	(4.7)	2.8	(62.1)

	31 Dec 2022 As reported US$m	Restatement 1 US$m	Restatement 2 US$m	31 Dec 2022 Restated US$m
Statement of comprehensive income				
Total comprehensive loss for the year	(317)	(24)	14	(327)
Total comprehensive loss attributable to Petrofac Limited shareholders	(290)	(24)	14	(300)

	31 Dec 2022 As reported US$m	Restatement 1 US$m	Restatement 2 US$m	31 Dec 2022 Restated US$m
Balance sheet impact				
Contract assets (note 20)	1,329	(5)	–	1,324
Total current assets	2,664	(5)	–	2,659
Total assets	3,267	(5)	–	3,262
Retained earnings	(143)	(24)	14	(153)
Total equity	112	(24)	14	102
Contract liabilities (note 20)	136	19	–	155
Income tax payable	79	–	(14)	65
Total current liabilities	2,846	19	(14)	2,851
Total liabilities	3,155	19	(14)	3,160
Total equity and liabilities	3,267	(5)	–	3,262

	31 Dec 2022 As reported US$m	Restatement 1 US$m	31 Dec 2022 Restated US$m
Statement of cash flows impact			
Loss before tax	(321)	(24)	(345)
Loss before tax and separately disclosed items	(296)	(24)	(320)
Adjustments to reconcile profit before tax and separately disclosed items to net cash flows:			
Difference between end of service benefits paid and amounts recognised in the consolidated income statement	(10)	–	(10)
Net finance expense before separately disclosed finance expense	91	–	91
Working capital adjustments:			
Contract assets	268	5	273
Contract liabilities	62	19	81
Net working capital adjustments	135	24	159
Cash generated from operations	21	–	21
Net cash flows used in operating activities	(146)	–	(146)

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

3 Revenue from contracts with customers

	2023 US$m	2022 (restated)[1] US$m
Rendering of services	**2,376**	2,431
Sale of crude oil and gas	**120**	136
	2,496	2,567

1. The prior year numbers are restated; see note 2.9.

Included in revenues are Engineering & Construction and Asset Solutions revenues of a 'pass-through' nature with zero or low margins amounting to US$404m (2022: US$417m).

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Engineering & Construction US$m	Asset Solutions US$m	Integrated Energy Services US$m	2023 US$m	Engineering & Construction (restated)[1] US$m	Asset Solutions US$m	Integrated Energy Services US$m	2022 (restated)[1] US$m
Geographical markets								
United Kingdom	**13**	**782**	**–**	**795**	8	640	–	648
Algeria	**243**	**–**	**–**	**243**	374	1	–	375
Lithuania	**220**	**–**	**–**	**220**	159	–	–	159
Malaysia	**2**	**59**	**121**	**182**	1	50	137	188
United States of America	**–**	**168**	**–**	**168**	–	92	–	92
Oman	**115**	**21**	**–**	**136**	233	24	–	257
Thailand	**103**	**29**	**–**	**132**	255	25	–	280
Australia	**–**	**131**	**–**	**131**	–	31	–	31
Netherlands	**67**	**18**	**–**	**85**	14	26	–	40
Bahrain	**–**	**76**	**–**	**76**	–	54	–	54
United Arab Emirates	**25**	**29**	**–**	**54**	26	32	–	58
Libya	**48**	**3**	**–**	**51**	21	–	–	21
Iraq	**31**	**16**	**–**	**47**	54	75	–	129
India	**21**	**20**	**–**	**41**	32	8	–	40
Kuwait	**28**	**4**	**–**	**32**	74	5	–	79
Ivory Coast	**–**	**21**	**–**	**21**	–	–	–	–

	Engineering & Construction US$m	Asset Solutions US$m	Integrated Energy Services US$m	2023 US$m	Engineering & Construction (restated)[1] US$m	Asset Solutions US$m	Integrated Energy Services US$m	2022 (restated)[1] US$m
Kazakhstan	**10**	**7**	**–**	**17**	3	23	–	26
Azerbaijan	**–**	**15**	**–**	**15**	–	14	–	14
Turkmenistan	**–**	**7**	**–**	**7**	–	–	–	–
Saudi Arabia	**6**	**–**	**–**	**6**	8	–	–	8
New Zealand	**–**	**3**	**–**	**3**	–	7	–	7
Russia	**(3)**	**1**	**–**	**(2)**	16	1	–	17
Others	**2**	**34**	**–**	**36**	5	39	–	44
Total revenue from contracts with customers	**931**	**1,444**	**121**	**2,496**	1,283	1,147	137	2,567
Type of goods or service								
Fixed price	**886**	**160**	**–**	**1,046**	1,180	141	–	1,321
Reimbursable	**45**	**1,284**	**1**	**1,330**	103	1,006	1	1,110
Sale of crude oil and gas	**–**	**–**	**120**	**120**	–	–	136	136
Total revenue from contracts with customers	**931**	**1,444**	**121**	**2,496**	1,283	1,147	137	2,567
Customer type								
Government	**447**	**273**	**16**	**736**	1,053	197	49	1,299
Non-government	**484**	**1,171**	**105**	**1,760**	230	950	88	1,268
Total revenue from contracts with customers	**931**	**1,444**	**121**	**2,496**	1,283	1,147	137	2,567
Timing of revenue recognition								
Services transferred over time	**931**	**1,444**	**1**	**2,376**	1,283	1,147	1	2,431
Goods transferred at a point in time	**–**	**–**	**120**	**120**	–	–	136	136
Total revenue from contracts with customers	**931**	**1,444**	**121**	**2,496**	1,283	1,147	137	2,567

1. The prior year numbers are restated; see note 2.9.

Revenue disclosed in the tables above is based on where the services or goods are delivered.

There were no customers representing revenue greater than 10% of Group revenue (2022: one customer amounting to 37%/US$372m in the Engineering & Construction operating segment).

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each reporting period is as follows:

	Engineering & Construction US$m	Asset Solutions US$m	2023 US$m	Engineering & Construction US$m	Asset Solutions US$m	2022 US$m
Within one year	**1,238**	**885**	**2,123**	918	1,169	2,087
More than one year	**4,919**	**1,107**	**6,026**	638	652	1,290
	6,157	**1,992**	**8,149**	1,556	1,821	3,377

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

4 Segment information

The Group organisational structure comprises the following three operating segments:

- Engineering & Construction, which provides fixed-price engineering, procurement and construction contract execution services and reimbursable engineering, procurement and construction management services to the onshore and offshore energy industries
- Asset Solutions, which mainly includes reimbursable engineering and production services activities to the oil and gas industry
- Integrated Energy Services, which is focused on delivering value from the existing asset portfolio

The Chief Operating Decision Makers (CODMs) have been identified as the Group's Chief Executive Officer and Chief Financial Officer. The CODMs regularly review the performance of the operating segments to make decisions about resource allocations and to assess financial performance. Finance expense and income arising from borrowings and cash balances, which are not directly attributable to individual operating segments, are allocated to Corporate.

The software cost associated with configuration or customisation services are centralised activities not monitored at the segment level, and thus have been allocated to the Corporate segment. In addition, certain shareholder services-related costs, intra-group financing and consolidation adjustments are managed at Corporate and are not allocated to operating segments.

The Group's financial performance presented below also separately identifies the effect of separately disclosed items to provide users of the consolidated financial statements with a clear and consistent presentation of the underlying business performance of the Group; refer to notes 2.8, 6 and Appendix A for details. Consequently, the CODMs assess the performance of the operating segments based on measures of business performance operating profit and profit after tax, excluding the effect of separately identified items.

The following tables represent revenue and profit/(loss) information relating to the Group's operating segments for the years ended 31 December 2023 and restated 31 December 2022.

Year ended 31 December 2023

	Engineering & Construction US$m	Asset Solutions US$m	Integrated Energy Services US$m	Corporate & others US$m	Consolidation adjustments & eliminations US$m	Business performance US$m	Separately disclosed items US$m	Reported US$m
Revenue								
External sales	931	1,444	121	–	–	2,496	–	2,496
Inter-segment sales	5	2	–	6	(13)	–	–	–
Total revenue	936	1,446	121	6	(13)	2,496	–	2,496
Operating (loss)/profit	(422)	–	34	(7)	–	(395)	(25)	(420)
Finance income	–	–	5	1	–	6	5	11
Finance expense	(4)	(2)	(9)	(104)	–	(119)	–	(119)
Share of net profit of associates and joint ventures	–	2	–	–	–	2	–	2
(Loss)/profit before tax	(426)	–	30	(110)	–	(506)	(20)	(526)
Income tax credit/(expense)	11	2	(7)	(3)	–	3	–	3
Net (loss)/profit	(415)	2	23	(113)	–	(503)	(20)	(523)
Attributable to:								
Petrofac Limited shareholders	(397)	2	23	(113)	–	(485)	(20)	(505)
Non-controlling interests	(18)	–	–	–	–	(18)	–	(18)
Net (loss)/profit	(415)	2	23	(113)	–	(503)	(20)	(523)
EBIT	(422)	2	34	(7)	–	(393)	(25)	(418)
EBITDA	(412)	13	90	(1)	–	(310)	(30)	(340)

	Engineering & Construction US$m	Asset Solutions US$m	Integrated Energy Services US$m	Corporate & others US$m	Total US$m
Other segment information					
Capital expenditures:					
Property, plant and equipment (note 12)	5	8	1	1	15
Intangible assets (note 15)	–	–	–	6	6
Charges:					
Depreciation (note 12)	10	10	56	2	78
Amortisation, business performance impairment and write off (notes 5a, 5b and 5g)	–	1	–	4	5
Separately disclosed items, pre-tax (note 6)	–	7	(7)	20	20
Expected credit loss (reversal)/charge (note 5e)	(1)	15	–	–	14
Share-based payments (note 24)	3	2	–	3	8

Year ended 31 December 2022

	Engineering & Construction US$m	Asset Solutions US$m	Integrated Energy Services US$m	Corporate & others US$m	Consolidation adjustments & eliminations US$m	Business performance US$m	Separately disclosed items US$m	Reported US$m
Revenue								
External sales (restated)[1]	1,283	1,147	137	–	–	2,567	–	2,567
Inter-segment sales	4	11	–	6	(21)	–	–	–
Total revenue (restated)[1]	1,287	1,158	137	6	(21)	2,567	–	2,567
Operating (loss)/profit (restated)[1]	(323)	55	58	(24)	–	(234)	(7)	(241)
Finance income	–	–	6	1	–	7	–	7
Finance expense	(2)	(1)	(10)	(85)	–	(98)	(18)	(116)
Share of net profit of associates and joint ventures	–	5	–	–	–	5	–	5
(Loss)/profit before tax (restated)[1]	(325)	59	54	(108)	–	(320)	(25)	(345)
Income tax expense (restated)[1]	9	(4)	(1)	(5)	–	(1)	(1)	(2)
Net (loss)/profit (restated)[1]	(316)	55	53	(113)	–	(321)	(26)	(347)
Attributable to:								
Petrofac Limited shareholders (restated)[1]	(289)	55	53	(113)	–	(294)	(26)	(320)
Non-controlling interests	(27)	–	–	–	–	(27)	–	(27)
Net (loss)/profit (restated)[1]	(316)	55	53	(113)	–	(321)	(26)	(347)
EBIT (restated)[1]	(323)	60	58	(24)	–	(229)	(7)	(236)
EBITDA (restated)[1]	(311)	70	109	(18)	–	(150)	(12)	(162)

1. The prior year numbers are restated; see note 2.9.

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

4 Segment information continued

	Engineering & Construction US$m	Asset Solutions US$m	Integrated Energy Services US$m	Corporate & others US$m	Total US$m
Other segment information					
Capital expenditures:					
Property, plant and equipment (note 12)	10	11	26	–	47
Intangible assets (note 15)	–	1	–	6	7
Charges:					
Depreciation (note 12)	12	9	51	2	74
Amortisation, business performance impairment and write off (notes 5a, 5b and 5g)	–	1	–	4	5
Separately disclosed items, pre-tax (note 6)	1	3	(13)	34	25
Expected credit loss credit (note 5e)	(19)	(2)	–	(2)	(23)
Share-based payments (note 24)	2	2	–	2	6

Geographical segments

The following tables present selected non-current assets by geographical segments for the years ended 31 December 2023 and 31 December 2022.

As at 31 December 2023

	Malaysia US$m	**United Arab Emirates US$m**	**United Kingdom US$m**	**India US$m**	**United States of America US$m**	**Other countries US$m**	**Total US$m**
Property, plant and equipment (note 12)	**113**	**22**	**10**	**12**	**11**	**2**	**170**
Goodwill (note 14)	**3**	**30**	**39**	**–**	**24**	**–**	**96**
Other intangible assets (note 15)	**–**	**–**	**17**	**–**	**4**	**5**	**26**

As at 31 December 2022

	Malaysia US$m	United Arab Emirates US$m	United Kingdom US$m	India US$m	United States of America US$m	Other countries US$m	Total US$m
Property, plant and equipment (note 12)	173	30	17	12	10	2	244
Goodwill (note 14)	3	29	38	–	25	1	96
Other intangible assets (note 15)	–	–	21	–	–	4	25

5 Expenses and income

a. Cost of sales

Included in cost of sales are staff costs of US$658m (2022: US$608m), depreciation charged on property, plant and equipment of US$71m (2022: US$67m) and amortisation charge on intangible assets of US$1m (2022: US$1m).

b. Selling, general and administration expenses

	2023 US$m	2022 US$m
Staff costs	**114**	100
Depreciation and amortisation (notes 12 and 15)	**11**	11
Other general and administration expenses	**77**	64
Business performance selling, general and administration expenses (before separately disclosed items)	**202**	175
Separately disclosed items (note 6)	**25**	7
	227	182

Other general and administration expenses consist mainly of office-related costs, travel, professional services fees and contracting staff costs.

Selling, general and administration expenses (before separately disclosed items) has increased in the year due to additional proposal costs related to increased business development activities and an increase in overheads driven by the growth in headcount reflecting the additional new contracts secured in the previous two years.

c. Staff costs

	2023 US$m	2022 US$m
Total staff costs:		
Wages and salaries	**692**	644
Social security costs	**33**	31
Defined contribution pension costs	**29**	24
End of service benefits costs (note 27)	**10**	3
Share-based payments costs (note 24)	**8**	6
	772	708

The average number of staff employed by the Group during the year was 8,191 (2022: 7,817).

d. Auditor's remuneration

The Group paid the following amounts to its auditor in respect of the audit of the financial statements and for other non-prohibited services provided to the Group:

	2023 US$m	2022 US$m
Group audit fee	**5**	4
Audit of subsidiaries' accounts	**2**	1
	7	5

Auditor's remuneration includes audit-related assurance services of US$0.1m (2022: US$0.1m).

e. Expected credit loss allowance

The movement in ECL allowance recognised by the Group during 2023 and 2022 was as follows:

	2023 US$m	2022 US$m
ECL charge on trade receivables (note 19)	**16**	–
ECL reversal on contract assets (note 20)	**(1)**	(21)
ECL reversal on other financial assets (note 17)	**–**	(1)
ECL reversal on cash at bank (note 21)	**(1)**	–
ECL reversal on other receivables (note 19)	**–**	(1)
	14	(23)

f. Other operating income

	2023 US$m	2022 US$m
Foreign exchange gains	**6**	3
Other income	**6**	20
	12	23

Other income included US$2m in respect of insurance claims recoveries (2022: US$4m) and a gain on disposal of property and equipment of US$1m in the Engineering & Construction operating segment (2022: US$1m). During 2022, the Group also received government grants of US$11m in respect of services exported from India that generated net foreign remittances.

g. Other operating expenses

	2023 US$m	2022 US$m
Other expenses	**3**	5

Other operating expenses are primarily in respect of insurance excesses payable by the Group through its captive insurer.

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

6 Separately disclosed items

	2023 US$m	2022 US$m
Reversal of impairment of assets	**(7)**	(6)
Impairment of assets	**–**	1
Losses on disposal	**8**	–
Fair value remeasurements	**(3)**	(10)
Cloud ERP software implementation costs	**5**	10
Restructuring and refinancing-related costs	**20**	5
Other separately disclosed items	**2**	7
Total separately disclosed items as reported within selling, general and administrative expenses (note 5b)	**25**	7
Separately disclosed items as reported within finance (income)/ expense (note 7)	**(5)**	18
Income tax charge on separately disclosed items	**–**	1
Total separately disclosed items as reported within income tax charge (note 8)	**–**	1
Consolidated income statement charge	**20**	26

Reversal of impairment of assets

At 31 December 2023, internal and external indicators of impairment reversal existed, predominantly due to the volatility in global oil prices. Consequently, the Group performed an impairment review of the carrying value amount of its Block PM304 oil and gas assets on a fair value less cost of disposal basis (Level 3 of the 'fair value hierarchy' contained within IFRS 13 'Fair Value Measurement') using a post-tax discount rate of 9.1% (2022: 10.0%). This review involved assessing the field operational performance, oil price and licence extension assumptions (with an extension beyond the current PSC expiry date of 2026 deemed unlikely). This assessment resulted in an impairment reversal of US$7m (2022: US$6m) allocated to property, plant and equipment in the Integrated Energy Services operating segment.

The average oil price assumptions used by management were US$84 per barrel for 2024, US$83 per barrel for 2025 and US$81 per barrel for the remaining period of the assessment (equivalent to the end of licence period) (2022: US$85 per barrel for 2023, US$80 per barrel for 2024 and US$75 per barrel to the end of licence period). The oil price assumption and future field performance were the most sensitive inputs in determining the fair value less cost of disposal. US$10 per barrel decrease in oil prices would result in an incremental impairment charge of US$22m and a US$10 increase in oil prices would result in an incremental impairment reversal of US$19m and a 10% decrease in production would result in an incremental impairment charge of US$18m and a 10% increase in production would result in an incremental impairment reversal of US$15m.

Fair value less costs of disposal is determined by discounting the post-tax cash flows expected to be generated from oil and gas production net of disposal costs considering assumptions that market participants would typically use in estimating fair values. Post-tax cash flows are derived from the projected production profiles for each asset considering forward market commodity prices over the relevant period which informs the Group's Board-approved business planning assumptions. As each field has different reservoir characteristics and contractual terms, the post-tax cash flows for each asset are calculated using individual economic models, which include assumptions around the amount of recoverable reserves, production costs, life of the field/licence period and the selling price of the commodities produced.

Impairment of assets

In the prior year, management identified impairment indicators for one of the Group's operations in the United Kingdom and as a result reviewed the carrying amount of property, plant and equipment including right-of-use assets relating to that subsidiary using the value-in-use basis. This resulted in an impairment charge of US$1m in the Asset Solutions operating segment.

Losses on disposal

During 2023, the Group sold its investment in two associate entities PetroFirst Infrastructure 2 Limited and PetroFirst Infrastructure Limited (note 16) and as a result, recognised a net gain on disposal of US$3m and a loss on disposal of US$9m respectively, both in the Asset Solutions operating segment. As a result of this disposal, the Group derecognised the right-of-use asset in respect of the West Desaru mobile offshore production unit (MOPU) of US$16m and the associated lease liability of US$17m, resulting in a net gain of US$1m in the Asset Solutions operating segment (notes 12 and 29).

Additionally, on 22 September 2023, the Group disposed of its shareholding in a wholly-owned subsidiary Petrofac Cyprus Limited (which held two Russian subsidiaries) as part of the Group's strategic decision to exit from Russia. The disposal, which related to the Asset Solutions operating segment, was for US$nil consideration and resulted in a loss on disposal of US$3m, as follows:

	US$m
Disposal consideration less cost of disposal	**–**
Trade and other receivables	**5**
Cash at bank	**1**
Trade and other payables	**(3)**
Carrying value of net assets derecognised as part of the disposal	**3**
Net loss on disposal	**(3)**

Fair value remeasurements
Management reviewed the carrying amount of the deferred consideration associated with the disposal of JSD6000 installation vessel (the 'vessel') that was recognised as a non-current asset in the consolidated balance sheet. The fair value of the deferred consideration considers, amongst other factors, an independent broker's valuation of the vessel (a Level 3 measurement of the 'fair value hierarchy' contained within IFRS 13 'Fair Value Measurement'). An upward fair value adjustment of US$3m (2022: US$1m) was recognised as a separately disclosed item in the Engineering & Construction operating segment which increased the deferred consideration to US$59m at the end of the reporting period (2022: US$56m). Supporting the assessment was an independent broker's valuation, corroborating a fair value range for the deferred consideration ranges of between US$57m and US$60m.

Management also reviewed the carrying amount of the contingent consideration payable associated with the acquisition of W&W Energy Services Inc (W&W) based on W&W's financial performance during the earn-out period, which concluded in 2023. No fair value gain or loss was recognised during the year (2022: negative fair value adjustment of US$1m recognised in the Asset Solutions operating segment).

During 2022, the Group reached an agreement in respect of the contingent consideration receivable arising from the 2020 disposal of the Group's operations in Mexico resulting in a fair value gain of US$10m in the Integrated Energy Services operating segment.

Software implementation costs
Following IFRIC's agenda decision published in April 2022, the Group revised its accounting policy regarding the customisation and configuration costs incurred when implementing a SaaS arrangement. The Group is currently undertaking a major systems implementation of cloud computing software, resulting in costs of US$5m being recognised as an expense in the current year (2022: US$10m). The implementation has now been successfully completed for the majority of the Group and will be completed for the remaining Group entities by the end of 2024.

Due to the size, nature and incidence of these costs, they are presented as a separately disclosed item, as they are not reflective of underlying performance.

Restructuring and refinancing-related costs
The Group incurred US$20m of professional services fees in relation to non-recurring projects within the Corporate reporting segment (2022: US$5m).

Other separately disclosed items
One of the Group's subsidiaries in the United Kingdom ceased operations during the year and as a result, served notice on their office lease (to effect the break clause) due to uncertainty over the continued use of office space in future periods for the remaining lease period. As the related right-of-use asset had been fully impaired in prior periods, the reduction in lease liability generated a one-off gain of US$4m. Additionally, US$2m of goodwill associated with this subsidiary was written off during the year and additional costs of US$1m were incurred, all in the Asset Solutions operating segment.

The Group also recognised a provision for estimated penalties of US$3m due to administrative non-compliance of Russian sanctions resulting from our exit from those operations (page 77) in the Engineering & Construction operating segment.

During 2022, the Group collected US$12m of the deferred consideration due from Ithaca Energy UK Ltd and sold the remaining deferred consideration receivable, with a carrying value of US$43m, for US$40m, resulting in a loss of US$3m in the Integrated Energy Services operating segment (note 17). Additionally, cost reduction measures were taken by management which resulted in total redundancy costs of US$4m during 2022.

Separately disclosed finance income/(expense)
The terms of the Revolving Credit Facility provides for the Group to pay a certain proportion of losses incurred by an original lender to facilitate any transfer of its commitment under the facility to another lender. This has been classified as an embedded derivative on initial recognition and remeasured at fair value through profit or loss. The fair value of the embedded derivative as at 31 December 2023 was estimated at US$17m (2022: US$22m) (Level 2 of the 'fair value hierarchy' contained within IFRS 13 'Fair Value Measurement') resulting in a fair value gain of US$5m (2022: fair value loss of US$18m) in the Corporate reporting segment.

7 Finance income/(expense)

	2023 US$m	2022 US$m
Finance income		
Bank interest	**1**	1
Interest income from joint operation partners in respect of leases	**5**	6
Business performance finance income (before separately disclosed items)	**6**	7
Separately disclosed items – finance income (note 6)	**5**	–
Total finance income	**11**	7
Finance expense		
Group borrowings	**(105)**	(85)
Lease liabilities	**(9)**	(12)
Unwinding of discount on provisions (note 27)	**(5)**	(1)
Business performance finance expense (before separately disclosed items)	**(119)**	(98)
Separately disclosed items – finance expense (note 6)	**–**	(18)
Total finance expense	**(119)**	(116)

The increase in the Group's borrowing costs is primarily attributable to the increase in the Group's average net debt levels and an increase in interest rates during the year, impacting the interest cost in respect of floating rate term loans and the RCF facility. In addition, Group borrowing costs include modification losses of US$13m in accordance with IFRS 9 'Financial Instruments' (2022: US$nil) arising as a result of the external debt amendments and extension completed during the year (note 26), which extended the maturity of the RCF and terms loans to October 2024.

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

8 Income tax

a. Tax on ordinary activities

The major components of income tax (credit)/expense are as follows:

	Business performance[1] US$m	**Separately disclosed items US$m**	**Reported 2023 US$m**	Business performance[1] US$m	Separately disclosed items US$m	Reported 2022 US$m
Current income tax						
Current income tax charge	**23**	**–**	**23**	20	1	21
Adjustments in respect of previous years	**(14)**	**–**	**(14)**	(34)	–	(34)
	9	**–**	**9**	(14)	1	(13)
Deferred tax						
Relating to origination and reversal of temporary differences	**(12)**	**–**	**(12)**	(1)	–	(1)
Derecognition of deferred tax assets previously recognised	**–**	**–**	**–**	16	–	16
	(12)	**–**	**(12)**	15	–	15
Income tax (credit)/expense reported in the consolidated income statement	**(3)**	**–**	**(3)**	1	1	2
Income tax reported outside profit and loss						
Foreign exchange movements	**–**	**–**	**–**	2	–	2
Income tax expense reported	**–**	**–**	**–**	2	–	2

1. This measurement (before separately disclosed items) is shown by the Group as a means of measuring underlying business performance (i.e. excluding separately disclosed items); see note 2 and Appendix A.

The split of the Group's income tax expense between current and deferred tax varies from year to year depending largely on:

- the variance between tax provided on the percentage of completion of contracts compared to that paid on accrued income for fixed-price engineering, procurement and construction contracts; and
- the tax deductions available for expenditure on Production Sharing Contracts (PSCs) which are partially offset by the creation of losses.

See note 8c below for the impact on the movements in the year.

b. Reconciliation of income tax expense

A reconciliation between income tax (credit)/expense and the product of accounting profit multiplied by the Company's domestic tax rate is as follows:

	Business performance[1] US$m	Separately disclosed items US$m	Reported 2023 US$m	Business performance[1] (restated)[3] US$m	Separately disclosed items US$m	Reported 2022 (restated)[3] US$m
Loss before tax	**(506)**	**(20)**	**(526)**	(320)	(25)	(345)
Applicable tax (credit)/charge at standard statutory rates[2]	**(51)**	**–**	**(51)**	(6)	2	(4)
Expenditure not allowable for income tax purposes	**15**	**1**	**16**	8	2	10
Income not subject to tax	**(2)**	**–**	**(2)**	–	(2)	(2)
Adjustments in respect of previous years	**(14)**	**–**	**(14)**	(34)	–	(34)
Adjustments in respect of deferred tax assets previously not recognised	**(1)**	**–**	**(1)**	16	–	16
Utilisation of tax assets not previously recognised	**(13)**	**(3)**	**(16)**	(26)	–	(26)
Current year deferred tax assets not recognised	**63**	**2**	**65**	43	(1)	42
At the effective income tax rate of positive 0.6% on reported profit before tax (2022: negative 0.6%)	**(3)**	**–**	**(3)**	1	1	2

1. This measurement (before separately disclosed items) is shown by the Group as a means of measuring underlying business performance (i.e. excluding separately disclosed items); see note 2 and Appendix A.
2. The weighted average statutory tax rate was negative 9.7% (2022: 1.2%). Compared with 2022, the rate in 2023 was higher primarily due to lower profits in Malaysia and increased losses in Thailand, resulting in a higher weighted average statutory tax rate. The weighted average tax rate applicable to business performance and separately disclosed items are different as they are impacted by the tax rate associated with the jurisdictions in which the profits were earned.
3. The prior year numbers are restated; see note 2.9.

The Group's effective tax rate for the year ended 31 December 2023 was positive 0.6% (2022: negative 0.6%). The Group's effective tax rate excluding the impact of impairments, remeasurements and other separately disclosed items for the year ended 31 December 2023 was also positive 0.6% (2022: negative 0.3%).

The adjustments in respect of previous years of US$14m largely relates to accrual adjustments and the release of uncertain tax treatment items as the final outcome on certain issues was agreed with the tax authorities during the year or the statute of limitations for audit by the tax authorities expired without challenge.

The Group's future tax charge will be sensitive to the levels and mix of profitability in different jurisdictions, tax rates imposed and any future tax regime reforms. The Group monitors corporate tax developments in these territories which could affect the Group's tax liabilities.

A significant development in this landscape occurred in December 2021 when the Organisation for Economic Co-operation and Development (OECD) issued model rules for a new global minimum tax framework (Pillar Two). Governments worldwide have since been issuing or planning legislation to align domestic tax laws with the Pillar Two requirements. The primary objective of these rules is to establish a minimum level of taxation, effectively imposing a 15% minimum tax rate for multinational entities. This effect is achieved through the imposition of a top-up tax when a subsidiary pays less than a 15% effective tax rate, thereby triggering a liability for the top-up tax at the parent entity level.

Specifically, on 19 May 2023, the Jersey Government announced its intention to implement an Income Inclusion Rule and a domestic minimum tax rate of 15% from 2025. On 20 June 2023, UK Finance (No. 2) Act 2023 was substantially enacted, including legislation to implement Pillar Two requirements for accounting periods beginning on or after 31 December 2023. On 13 September 2023, the UAE Ministry of Finance made an informal announcement deferring the implementation of Pillar Two requirements until 2025.

Although the Group operates in a small number of jurisdictions where the effective tax rate is below 15%, any potential additional top-up tax that may arise is evaluated as being immaterial.

In addition, the Group has applied the exception in IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to OECD Pillar Two income taxes.

On 16 January 2023, the UAE government published a Cabinet Decision establishing the threshold for the application of the new federal Corporate Income Tax regime in the UAE. This event made the Corporate Income Tax substantively enacted and enacted within the meaning of IAS 12. Current taxes will only become payable for financial years beginning on or after 1 June 2023, thus the Group will be subject to current tax for the first time in the UAE during the year ending 31 December 2024. However, the enactment of the legislation requires the Group to recognise deferred taxes where relevant using the enacted tax rate of 9%. The associated impact of deferred taxes as at 31 December 2023 is deemed immaterial to the consolidated financial statements based on management's assessment of its effects.

Notes to the consolidated financial statements continued
For the year ended 31 December 2023

8 Income tax continued
c. Deferred tax
Deferred tax relates to the following:

	Consolidated balance sheet 2023 US$m	Consolidated balance sheet 2022 US$m	Movement 2023 US$m	Movement 2022[1] US$m
Deferred tax liabilities				
Profit recognition[1]	**12**	25	**(13)**	(3)
Overseas earnings	**6**	4	**2**	1
Other temporary differences	**–**	1	**(1)**	1
Gross deferred tax liabilities	**18**	30	**(12)**	(1)
Deferred tax assets				
Losses available for offset	**1**	–	**1**	15
Decelerated depreciation for tax purposes	**–**	–	**–**	2
Other temporary differences	**2**	3	**(1)**	–
Gross deferred tax assets	**3**	3	**–**	17

The presentation in the balance sheet takes into consideration the offsetting of deferred tax assets and liabilities within the same tax jurisdiction, where this is permitted. The overall deferred tax position in a particular tax jurisdiction determines if a deferred tax balance related to that jurisdiction is presented within deferred tax assets or deferred tax liabilities. The following is an analysis of the deferred tax balances (after their offsetting) for financial reporting purposes:

	Consolidated balance sheet 2023 US$m	Consolidated balance sheet 2022 US$m	Movement 2023 US$m	Movement 2022[1] US$m
Net deferred tax liability and income tax expense	**(15)**	(27)	**(12)**	(16)
Of which:				
UK	**–**	–	**–**	(17)
Other (outside of the UK)	**1**	1	**–**	–
Deferred tax assets	**1**	1	**–**	(17)
Deferred tax liabilities	**16**	28	**(12)**	1

1. Relates to differences associated with the allocation of contract revenue and contract costs to accounting periods in which work is performed between IFRS and local GAAP treatments.

The Group recognises deferred tax assets to the extent that it is probable that sufficient future taxable profits will arise, against which the deductible temporary differences, unused tax losses and credits carried forward can be utilised. In evaluating whether it is probable that taxable profits will be earned in future accounting periods, all available evidence was considered, including Board-approved business plans and, in some cases, analysis of past operating results. These forecasts are consistent with those used for both the going concern and viability assessment and impairment testing purposes.

Assessing the availability of future taxable profits to support the recognition of deferred tax assets is considered a key judgement and changes in Group forecasts will impact the recoverability of deferred tax assets. To the extent that there are insufficient taxable profits, no deferred tax asset is recognised, and details of unrecognised deferred tax assets are included below.

Deferred tax liabilities of US$0.3m (2022: US$0.2m) were not recognised on temporary differences that related to unremitted earnings of the overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. Unrecognised taxable temporary differences associated with undistributed retained earnings of investments in subsidiaries, associates and joint ventures amounted to US$5m (2022: US$5m).

d. Unrecognised tax losses and tax credits
Deferred tax assets are recognised for tax loss carry forwards, tax credits and other deductible temporary differences to the extent that the realisation of the related tax benefit through offset against future taxable profits is probable. The Group did not recognise deferred income tax assets on tax losses, tax credits and other deductible temporary differences of US$2,099m (2022: US$1,806m). These other deductible temporary differences include decelerated capital allowances, provisions and decommissioning related amounts.

	2023 US$m	2022 US$m
Expiration dates for tax losses		
Expiring within 5 years	**373**	144
Expiring within 6–10 years	**231**	72
No expiration date	**1,347**	1,445
	1,951	1,661
Tax credits (no expiration date)	**9**	9
Other temporary differences (no expiration date)	**139**	136
	2,099	1,806

During 2023, previously unrecognised losses of US$12m were utilised by the Group (2022: US$4m).

9 Loss per share

Basic loss per share is calculated by dividing the net profit for the year attributable to Petrofac Limited shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share is calculated by dividing the net profit attributable for the year to Petrofac Limited shareholders, after adjusting for any dilutive effect, by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of ordinary shares granted under the share-based payment plans which are held in the Employee Benefit Trust.

The following reflects the net loss and share data used in calculating basic and diluted loss per share:

	2023 US$m	2022 (restated)[3] US$m
Business performance net loss attributable to Petrofac Limited shareholders for basic and diluted earnings per share	**(485)**	(294)
Separately disclosed items attributable to Petrofac Limited shareholders for basic and diluted earnings per share	**(20)**	(26)
Reported net loss attributable to Petrofac Limited shareholders for basic and diluted earnings per share	**(505)**	(320)

	2023 Shares million	2022 Shares million
Weighted average number of ordinary shares for basic earnings per share[1]	**519**	515
Effect of dilutive potential ordinary shares granted under share-based payment plans[2]	**–**	–
Adjusted weighted average number of ordinary shares for diluted earnings per share	**519**	515

	2023 US cents	2022 (restated)[3] US cents
Basic loss per share		
Business performance	**(93.4)**	(57.1)
Separately disclosed items	**(3.9)**	(5.0)
Reported	**(97.3)**	(62.1)
Diluted loss per share[2]		
Business performance	**(93.4)**	(57.1)
Separately disclosed items	**(3.9)**	(5.0)
Reported	**(97.3)**	(62.1)

1. The weighted number of ordinary shares in issue during the year, excluding those held by the Employee Benefit Trust.
2. For the years ended 31 December 2022 and 2023, potentially issuable ordinary shares under the share-based payment plans are excluded from the diluted loss per ordinary share calculation, as their inclusion would decrease the loss per ordinary share.
3. The prior year numbers are restated; see note 2.9.

10 Dividends paid and proposed

No dividends were paid or proposed during the year (2022: US$nil).

11 Deferred consideration

The deferred consideration associated with the disposal of the JSD6000 installation vessel was recognised as a non-current asset in the consolidated balance sheet. The deferred consideration is measured at fair value, with any fair value gain and loss recognised in the consolidated income statement. The fair value of the deferred consideration took into account, amongst other factors, an independent broker's valuation of the vessel (a Level 3 measurement of the 'fair value hierarchy' contained within IFRS 13 'Fair Value Measurement'). The fair value of deferred consideration was US$59m at 31 December 2023 (2022: US$56m) (note 6).

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

12 Property, plant and equipment

	Oil and gas assets US$m	Oil and gas facilities US$m	Land, buildings and leasehold improvements US$m	Plant and equipment US$m	Vehicles US$m	Office furniture and equipment US$m	Assets under construction US$m	Total US$m
Cost								
At 1 January 2022	587	205	428	31	35	166	1	1,453
Additions	23	3	12	1	7	1	–	47
Disposals	–	–	(227)	(16)	(20)	(87)	–	(350)
Transfer	4	–	(2)	(1)	–	3	(1)	3
Translation difference	–	–	(8)	–	–	(7)	–	(15)
At 1 January 2023	**614**	**208**	**203**	**15**	**22**	**76**	**–**	**1,138**
Additions	**–**	**–**	**6**	**2**	**5**	**2**	**–**	**15**
Disposals	**(2)**	**(16)**	**(9)**	**(6)**	**(1)**	**(1)**	**–**	**(35)**
Translation difference	**–**	**–**	**1**	**–**	**–**	**2**	**–**	**3**
At 31 December 2023	**612**	**192**	**201**	**11**	**26**	**79**	**–**	**1,121**
Depreciation and impairment								
At 1 January 2022	(462)	(139)	(360)	(26)	(32)	(165)	–	(1,184)
Depreciation charge (notes 5a and 5b)	(39)	(11)	(15)	(1)	(3)	(5)	–	(74)
Reversal of impairment/(impairment charge) (note 6)	5	1	(1)	–	–	–	–	5
Transfers	–	–	–	(1)	–	–	–	(1)
Disposals	–	–	227	16	20	87	–	350
Translation difference	–	–	3	–	–	7	–	10
At 1 January 2023	**(496)**	**(149)**	**(146)**	**(12)**	**(15)**	**(76)**	**–**	**(894)**
Depreciation charge (notes 5a and 5b)	**(44)**	**(11)**	**(13)**	**(2)**	**(5)**	**(3)**	**–**	**(78)**
Reversal of impairment (note 6)	**5**	**2**	**–**	**–**	**–**	**–**	**–**	**7**
Disposals	**–**	**–**	**8**	**6**	**1**	**1**	**–**	**16**
Translation difference	**–**	**–**	**(1)**	**–**	**–**	**(1)**	**–**	**(2)**
At 31 December 2023	**(535)**	**(158)**	**(152)**	**(8)**	**(19)**	**(79)**	**–**	**(951)**
Net carrying amount								
At 31 December 2023	**77**	**34**	**49**	**3**	**7**	**–**	**–**	**170**
At 31 December 2022	118	59	57	3	7	–	–	244

Additions

Additions during the year of US$15m mainly comprised of right-of-use asset additions of US$11m related to land, buildings and leasehold improvements and leased vehicles, predominantly in the Asset Solutions operating segment.

Depreciation and impairment

The depreciation charge in the consolidated income statement consists of US$70m (2022: US$67m) in cost of sales and US$8m (2022: US$7m) in selling, general and administration expenses.

During 2023, the Group reassessed its estimate of recoverable value and reversed US$7m of the initially recognised impairment in relation to its Block PM304 oil and gas assets and facilities on a fair value less cost of disposal basis (Level 3 of the 'fair value hierarchy' contained within IFRS 13 'Fair Value Measurement'). The impairment loss has been recorded as separately disclosed items (note 6) and allocated to property, plant and equipment.

Disposals

The disposal within land, buildings and leasehold improvements and plant and equipment, having a net carrying amount of US$1m (2022: US$nil), related to the write-off of unused assets in the Asset Solutions operating segment. The disposal of US$16m within oil and gas facilities related to the extinguishment of the obligation to acquire the West Desaru MOPU as set out on page 178.

Right-of-use assets

The table below provides details of right-of-use assets recognised within various categories of the property, plant and equipment line item:

	Oil and gas facilities US$m	Land, buildings and leasehold improvements US$m	Plant and equipment US$m	Vehicles US$m	Total US$m
At 1 January 2022	62	30	–	1	93
Additions	3	10	1	6	20
Depreciation charge (note 29)	(11)	(8)	–	(2)	(21)
Impairment charge (note 6)	1	(1)	–	–	–
Translation difference	–	(3)	–	–	(3)
At 1 January 2023	**55**	**28**	**1**	**5**	**89**
Additions	**–**	**6**	**–**	**5**	**11**
Depreciation charge (note 29)	**(11)**	**(8)**	**(1)**	**(4)**	**(24)**
Derecognition of assets	**(16)**	**(2)**	**–**	**–**	**(18)**
Reversal of impairment (note 6)	**2**	**–**	**–**	**–**	**2**
At 31 December 2023	**30**	**24**	**–**	**6**	**60**

The Group had an obligation to acquire the West Desaru mobile offshore production unit (MOPU) which was previously recognised as a right-of-use asset and a corresponding lease liability (note 29). This obligation expired upon the sale of the Group's investment in associates (note 6) and therefore, the Group derecognised the right-of-use assets (with a carrying value of US$16m) in relation to this obligation.

13 Non-controlling interests

Movement of non-controlling interest in Petrofac Emirates LLC and Petrofac Engineering Services (Malaysia) Sdn. Bhd.

	2023 US$m	2022 US$m
At 1 January	**(17)**	10
Loss for the year	**(18)**	(27)
At 31 December	**(35)**	(17)

The proportion of the nominal value of issued shares controlled by the Group is disclosed in note 34. Summarised financial information for subsidiaries having non-controlling interests that are considered material to the Group is shown below:

	Petrofac Emirates LLC	
Summarised income statement	**2023 US$m**	2022 US$m
Revenue	**54**	37
Cost of sales	**(101)**	(137)
Gross profit	**(47)**	(100)
Selling, general and administration expenses	**(6)**	(4)
Other income	**–**	9
Net finance expense	**(17)**	(10)
Net loss for the year	**(70)**	(105)
Attributable to non-controlling interest	**(18)**	(27)
Summarised balance sheet		
Current assets	**132**	156
Total assets	**132**	156
Non-current liabilities	**4**	3
Current liabilities	**271**	219
Total liabilities	**275**	222
Total equity	**(143)**	(66)
Attributable to non-controlling interest	**(35)**	(17)
Summarised cash flow statement		
Operating	**35**	(3)
Financing	**(34)**	–
	1	(3)

No dividends were declared by Petrofac Emirates LLC during 2023 (2022: US$nil).

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

14 Goodwill

A summary of the movements in goodwill is presented below:

	2023 US$m	2022 US$m
At 1 January	**96**	101
Derecognised on cessation of operations (note 6)	**(2)**	–
Translation difference	**2**	(5)
At 31 December	**96**	96

Goodwill resulting from business combinations has been allocated to two groups of cash-generating units (CGUs) for impairment testing as follows:

- Engineering & Construction
- Asset Solutions

These groups of CGUs represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

Carrying amount of goodwill allocated to each group of cash-generating units

	2023 US$m	2022 US$m
Engineering & Construction	**41**	41
Asset Solutions	**55**	55
	96	96

Goodwill is tested for impairment at least annually. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on future financial business plans approved by the Board, based on past performance and its expectation of market developments. The key assumptions within these budgets relate to market share, revenue and the future profit margin achievable, in line with the Group's strategy and targets as set out in the Strategic report. Future budgeted revenue is based on management's knowledge of actual results from prior years and latest forecasts for the current year, along with the existing secured works and management's expectation of the future level of work available within the market sector. In establishing future profit margins, the margins currently being achieved are considered in conjunction with expected inflation rates in each cost category.

Cash flows beyond the business plan three-year period are extrapolated using an estimated growth rate within each segment. The growth rate used is the Group's estimate of the average long-term growth rate for the market sectors in which the CGU operates. Furthermore, sensitivity analysis has been undertaken on each goodwill impairment review, by changing the discount rates, profit margins, growth rates and other variables applicable to each CGU.

The pre-tax discount rates for each CGU are noted below.

Any continuing impact of Covid-19 has been reflected in the Group's approved business plans for the next three years, with budgeted operating margins updated on a contract-by-contract basis reflecting ongoing standard operating procedures and costs to reflect government and industry health and safety guidelines.

Engineering & Construction CGU

A pre-tax discount rate of 14.8% (2022: 16.0%) in Engineering & Construction has been applied to the future cash flows, based on an estimate of the weighted average cost of capital (WACC) of that CGU.

The value in use is based on the business plan cash flows of three years (reflecting the Board-approved business plan operating margins and working capital cash flows) and assume a subsequent growth rate of 5.0% in cash flows beyond the three-year period for the subsequent two years, and these assumptions result in the recoverable value of this CGU being significantly greater than the carrying value of the CGU asset.

The Engineering & Construction CGU is not sensitive to changes in key assumptions and management does not consider that any reasonable possible change in any single assumption would give rise to an impairment of the carrying value of goodwill.

Asset Solutions CGU

A pre-tax discount rate of 14.8% (2022: 16.0%) in Asset Solutions has been applied to the future cash flows, based on an estimate of the WACC of that CGU.

The value in use is based on the business plan cash flows of three years (reflecting the Board-approved business plan operating margins and working capital cash flows) and assume a subsequent growth rate of 1.3% in cash flows beyond the three-year period for the subsequent two years, and these assumptions result in the recoverable value of this CGU being significantly greater than the carrying value of the CGU asset.

The Asset Solutions CGU is not sensitive to changes in key assumptions and management does not consider that any reasonable possible change in any single assumption would give rise to an impairment of the carrying value of goodwill.

15 Intangible assets

	2023 US$m	2022 US$m
Intangible oil and gas assets		
Carrying value:		
At 1 January	**–**	4
Transferred to property, plant and equipment (note 12)	**–**	(4)
At 31 December	**–**	–
Other intangible assets		
Cost:		
At 1 January	**56**	50
Additions	**6**	7
Transfer from property, plant and equipment (note 12)	**–**	2
Disposals	**(2)**	–
Translation difference	**2**	(3)
At 31 December	**62**	56
Accumulated amortisation:		
At 1 January	**(31)**	(27)
Amortisation (notes 5a and 5b)	**(5)**	(5)
Disposals	**2**	–
Translation difference	**(2)**	1
At 31 December	**(36)**	(31)
Carrying amount of other intangible assets at 31 December	**26**	25
Total intangible assets	**26**	25

Other intangible assets

Other intangible assets mainly comprised customer contracts and digital systems. Such intangible assets are amortised over their estimated economic useful life on a straight-line basis and the related amortisation charges included in cost of sales and selling, general and administration expense line items of the consolidated income statement (notes 5a and 5b). The additions of US$6m (2022: US$7m) primarily related to investment in the development and implementation of Group-wide digital systems.

16 Investments in associates and joint ventures

	Associates US$m	Joint ventures US$m	Total US$m
As at 1 January 2022	21	13	34
Share of net profit	6	–	6
Dividends received	(10)	–	(10)
As at 1 January 2023	**17**	**13**	**30**
Share of net profit/(loss)	**4**	**(2)**	**2**
Dividends received	**(2)**	**–**	**(2)**
Disposal of associates at carrying value	**(19)**	**–**	**(19)**
As at 31 December 2023	**–**	**11**	**11**

Dividends received during the year include US$2m received from PetroFirst Infrastructure Limited prior to their disposal (2022: US$9m received from PetroFirst Infrastructure Limited and US$1m received from PetroFirst Infrastructure 2 Limited).

During 2023, the Group sold its investment in these two associates and as a result, recognised a gain on sale of US$3m in respect of the sale of PetroFirst Infrastructure 2 Limited and a loss of US$9m in respect of PetroFirst Infrastructure Limited, both in the Asset Solutions operating segment (note 6).

Investment in associates

	2023 US$m	2022 US$m
PetroFirst Infrastructure Limited	**–**	17
PetroFirst Infrastructure 2 Limited	**–**	–
	–	17

Summarised financial information on associates has not been presented following the sale of the Group's investment in associates during 2023.

Investment in joint ventures

	2023 US$m	2022 US$m
Takatuf Petrofac Oman LLC	**10**	13
Petrofac (Ghana) IJV Limited Company	**1**	–
	11	13

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

16 Investments in associates and joint ventures continued

Interest in joint ventures

Summarised financial information on the joint ventures, based on their IFRS financial statements, and a reconciliation with the carrying amount of the investment in joint ventures in the consolidated balance sheet, are set out below:

	2023 US$m	2022 US$m
Revenue	**84**	62
Cost of sales	**(85)**	(61)
Gross profit	**(1)**	1
Selling, general and administration expenses	**(5)**	(3)
Loss before tax and net loss	**(6)**	(2)
Group's share of net loss	**(2)**	–
Non-current assets	**22**	26
Current assets	**32**	22
Total assets	**54**	48
Non-current liabilities	**(3)**	(3)
Current liabilities	**(31)**	(20)
Total liabilities	**(34)**	(23)
Net assets	**20**	25
Group's share of net assets	**11**	13
Carrying amount of the investment in joint ventures	**11**	13

A list of all joint ventures is disclosed in note 34.

No joint ventures had contingent liabilities or capital commitments at 31 December 2023 and 2022. The joint ventures cannot distribute their distributable reserves until they obtain consent from the joint venture partners.

17 Financial assets and financial liabilities

	2023 US$m	2022 US$m
Other financial assets		
Non-current		
Receivable from joint operation partners for leases	**34**	60
Advances relating to decommissioning provision	**44**	40
Restricted cash	**172**	51
	250	151
Current		
Receivable from joint operation partners for leases	**35**	34
Restricted cash	**51**	60
Derivative contracts not designated as hedges (note 33)	**–**	4
Derivative contracts designated as cash flow hedges (note 33)	**–**	5
	86	103
Other financial liabilities		
Non-current		
Lease liabilities (note 29)	**79**	144
Contingent consideration payable arising from acquisition of W&W Energy Services Inc	**–**	2
	79	146
Current		
Lease liabilities (note 29)	**68**	66
Contingent consideration payable arising from acquisition of W&W Energy Services Inc	**–**	4
Interest payable	**12**	9
Derivative contracts not designated as hedges (note 33)	**–**	12
Derivative contracts designated as cash flow hedges (note 33)	**–**	1
Embedded derivative in respect of the revolving credit facility (note 6)	**17**	22
	97	114

Receivable from joint operation partners for leases
The current and non-current receivable from the Block PM304 joint operation partners represented 64.7% of the lease liability (2022: 64.7%). These lease liabilities are recognised at 100% in the consolidated balance sheet. This treatment is necessary to reflect the legal position of the Group as the contracting counterparty for such leases. The Group's 35.3% share of this liability at 31 December 2023, based on the Group's interest in the joint operation, was US$38m (2022: US$52m). At 31 December 2023, management concluded that no expected credit loss allowance against the receivable from joint operation partners for leases was necessary, since under the joint operating agreement any default by the joint arrangement partners is fully recoverable through a recourse available to the non-defaulting partner through a transfer or an assignment of the defaulting partner's equity interest.

Advances relating to decommissioning provision
Advances relating to decommissioning provision represents advance payments to a regulator for future decommissioning liabilities, relating to the Group's share of joint operation assets in Malaysia. An advance of US$6m (2022: US$4m) made during the year was presented in the consolidated statement of cash flows as a cash outflow from investing activities. The carrying value was adjusted by US$2m (2022: US$2m) for foreign currency translation losses.

Restricted cash
The Group had outstanding letters of guarantee, including performance, advance payments and bid bonds (see note 30) against which the Group had pledged or restricted cash balances. The increase in restricted cash balances is primarily due to collateral pledged against new letters of guarantee in respect of recently awarded contracts.

These guarantees and bonds are all in relation to various customer contracts which generate revenue for the Group and once the related conditions under these guarantees are satisfied, any related cash collateral is released into cash balances. Therefore, as the Group actively uses these advance payment bonds and retention bonds to help manage the working capital of the Group and performance bonds are an essential component of enabling the Group to secure and therefore execute revenue-generating contracts for customers, any movement in the restricted cash balances is recorded within 'operating activities' in the Group's consolidated statement of cash flows.

The increase in the year reflects the tightening of the guarantee market both generally, and specifically for the Company, and hence the need for increased collateral to be placed.

Contingent consideration payable arising from acquisition of W&W Energy Services Inc
A reconciliation of the fair value movement of contingent consideration payable arising from acquisition of W&W Energy Services Inc is presented below:

	2023 US$m	2022 US$m
Opening balance	6	7
Fair value loss (note 6)	–	1
Payments	(4)	(2)
Transferred to other payables	(2)	–
As at the end of the reporting period	–	6

At 31 December 2023, management reviewed the carrying amount of the contingent consideration payable associated with the acquisition of W&W Energy Services Inc (W&W) in 2020 based on W&W's financial performance during the earn-out period, which concluded in 2023. No fair value gain or loss was recognised during the year (2022: negative fair value adjustment of US$1m recognised as a separately disclosed item in the Asset Solutions operating segment).

At the end of the year the fair value of contingent consideration payable was transferred to other payables as a current liability.

Changes in liabilities arising from financing activities
Year ended 31 December 2023

	1 January 2023 US$m	Cash inflows US$m	Cash outflows US$m	Additions US$m	Others[1] US$m	31 December 2023 US$m
Senior secured notes	583	–	–	–	3	586
Other interest-bearing loans and borrowings	216	38	(65)	–	9	198
Interest-bearing loans and borrowings	799	38	(65)	–	12	784
Lease liabilities	210	–	(65)	14	(12)	147
At 31 December 2023	1,009	38	(130)	14	–	931

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

17 Financial assets and financial liabilities continued

Changes in liabilities arising from financing activities continued

Year ended 31 December 2022

	1 January 2022 US$m	Cash inflows US$m	Cash outflows US$m	Additions US$m	Others[1] US$m	31 December 2022 US$m
Senior secured notes	580	–	–	–	3	583
Other interest-bearing loans and borrowings	184	62	(36)	–	6	216
Interest-bearing loans and borrowings	764	62	(36)	–	9	799
Lease liabilities	251	–	(67)	19	7	210
At 31 December 2022	1,015	62	(103)	19	16	1,009

1. Represents the IFRS 9 modification loss and the movement in debt acquisition costs for interest-bearing loans and borrowings and represents interest expense, lease liability derecognised and effect of translation gains and losses of foreign operations for lease liabilities.

Fair value measurement of financial assets and liabilities

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Unadjusted quoted prices in active markets for identical financial assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 31 December:

	Level	Carrying amount 2023 US$m	Carrying amount 2022 US$m	Fair value 2023 US$m	Fair value 2022 US$m
Financial assets					
Measured at amortised cost					
Restricted cash	Level 2	**223**	111	**223**	111
Receivable from joint operation partners for leases	Level 2	**69**	94	**69**	94
Advances relating to provision for decommissioning liability	Level 2	**44**	40	**44**	40
Measured at fair value through profit and loss					
Deferred consideration arising from the disposal of the JSD6000 installation vessel (note 11)	Level 3	**59**	56	**59**	56
Derivative contracts – undesignated	Level 2	**–**	4	**–**	4
Designated as cash flow hedges					
Derivative contracts – designated for hedge accounting	Level 2	**–**	5	**–**	5
Financial liabilities					
Measured at amortised cost					
Senior secured notes (note 26)	Level 1	**586**	583	**319**	334
Term loans (note 26)	Level 2	**71**	99	**71**	99
Revolving credit facility (note 26)	Level 2	**127**	117	**127**	117
Interest payable	Level 2	**12**	9	**12**	9
Measured at fair value through profit and loss					
Contingent consideration payable	Level 3	**2**	6	**2**	6
Derivative contracts – undesignated	Level 2	**–**	12	**–**	12
Embedded derivative in respect of the revolving credit facility (note 6)	Level 2	**17**	22	**17**	22
Designated as cash flow hedges					
Derivative contracts – designated for hedge accounting	Level 2	**–**	1	**–**	1

When the fair values of financial assets and financial liabilities recognised in the consolidated balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques, including discounted cash flow models. The inputs to these models are taken from observable sources where possible, but where such information is not available, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the recognised fair value of financial instruments. The following methods and assumptions were used to estimate the fair values for material financial instruments:

- The fair value of long-term interest-bearing loans and borrowings (excluding senior secured notes which are quoted on an active exchange) and receivable from joint operation partners for leases are equivalent to their amortised costs determined as the present value of discounted future cash flows using the effective interest rate
- The fair value of the embedded derivative in respect of the RCF is estimated using option pricing models based on observable market yields on senior notes as the closest comparable debt instruments issued by the Group
- The fair value of the deferred consideration arising from the disposal of the JSD6000 installation vessel considered an independent broker's valuation of the vessel (a Level 3 measurement of the 'fair value hierarchy' contained within IFRS 13 'Fair Value Measurement'). The key assumption in respect of the valuation is the market value of comparable vessels (note 2.7)

18 Inventories

	2023 US$m	2022 US$m
Project materials	**5**	11
Crude oil	**5**	5
Stores and raw materials	**1**	1
	11	17

Inventories expensed of US$81m (2022: US$79m) were included within cost of sales in the consolidated income statement.

19 Trade and other receivables

	2023 US$m	2022 US$m
Trade receivables	**722**	499
Advances to vendors and subcontractors	**130**	105
Prepayments and deposits	**20**	29
Receivables from joint operation partners	**19**	18
Related party receivables (note 31)	**2**	1
VAT receivable	**44**	49
Other receivables	**40**	38
	977	739

The increase in trade receivables is mainly in respect of one customer in the Engineering & Construction operating segment where commercial negotiations were ongoing in the prior period and opening work in progress balances in excess of US$250m were invoiced in the last quarter of the year. Of this total, over US$120m was collected before the end of the year. At 31 December 2023, the Group had an ECL allowance of US$23m (2022: US$19m) against an outstanding trade receivable balance of US$745m (2022: US$518m).

Trade receivables are non-interest-bearing and credit terms are generally granted to customers on 30–60 days' basis. Trade receivables are reported net of ECL allowance in accordance with IFRS 9 'Financial Instruments'. The movement in the ECL allowance during 2023 and 2022 against trade receivables was as follows:

	2023 US$m	2022 US$m
At 1 January	**19**	23
Reversal of ECL allowance (note 5e)	**(2)**	(4)
Charge for the year (note 5e)	**18**	4
Write-off	**(11)**	–
ECL transfer to contract assets (note 20)	**–**	(3)
Translation difference	**(1)**	(1)
At 31 December	**23**	19

The ECL charge for the year included US$11m due to one customer filing for insolvency in the Asset Solutions operating segment.

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

19 Trade and other receivables continued

At 31 December 2023, the analysis of trade receivables is as follows:

	Number of days past due						
	< 30 days US$m	31–60 days US$m	61–90 days US$m	91–120 days US$m	121–360 days US$m	> 360 days US$m	Total US$m
ECL rate	**0.1%**	**5.7%**	**2.4%**	**17.0%**	**38.3%**	**31.7%**	
Gross trade receivables	**595**	**29**	**60**	**7**	**30**	**24**	**745**
Less: ECL allowance	**–**	**(2)**	**(1)**	**(1)**	**(11)**	**(8)**	**(23)**
Net trade receivables at 31 December 2023	**595**	**27**	**59**	**6**	**19**	**16**	**722**

The ECL allowance ageing profile is impacted due to ECL allowance of US$11m in respect of one customer which filed for insolvency during the year.

At 31 December 2022, the analysis of trade receivables is as follows:

	Number of days past due						
	< 30 days US$m	31–60 days US$m	61–90 days US$m	91–120 days US$m	121–360 days US$m	> 360 days US$m	Total US$m
ECL rate	0.3%	0.1%	0.2%	2.1%	9.2%	46.5%	
Gross trade receivables	403	34	11	8	31	31	518
Less: ECL allowance	(1)	–	–	–	(3)	(15)	(19)
Net trade receivables at 31 December 2022	402	34	11	8	28	16	499

Advances provided to vendors and subcontractors represent payments made to certain vendors and subcontractors for contracts in progress that will be adjusted against the future progress billings by the vendors and subcontractors. The increase in this balance of US$25m was mainly due to mobilisation of subcontractors on two recently awarded projects in the Engineering & Construction operating segment.

Receivables from joint operation partners are recoverable amounts from partners on Block PM304 and on consortium contracts in the Engineering & Construction operating segment.

No additional ECL loss was recorded against other receivables during the year (2022: reversal of US$1m).

All trade and other receivables except ‘advances provided to vendors and subcontractors’ are expected to be settled in cash. Certain trade and other receivables will be settled in cash using currencies other than the reporting currency of the Group, and will be largely paid in Sterling, Euros and Kuwaiti dinars.

20 Contract assets and contract liabilities

a. Contract assets

	2023 US$m	2022 (restated)[1] US$m
Work in progress	**680**	1,148
Retention receivables	**106**	133
Accrued income	**46**	43
	832	1,324

1. The prior year numbers are restated; see note 2.9.

At 31 December 2023, work in progress included AVOs pending customer approval of US$351m (2022 restated: US$348m). The decrease in the work in progress balance is mainly in respect of one customer in the Engineering & Construction operating segment, where commercial negotiations were ongoing in the prior period and opening work in progress balances in excess of US$250m were invoiced in the last quarter of the year. Of this total, over US$120m was collected before the end of the year (note 19). Additionally, work in progress balances reduced as a result of contract milestones achieved during the year in the Engineering & Construction operating segment.

b. Contract liabilities

	2023 US$m	2022 (restated)[1] US$m
Billings in excess of costs and estimated earnings	**244**	91
Advances received from customers	**48**	64
	292	155

1. The prior year numbers are restated; see note 2.9.

At 31 December 2023, billings in excess of costs and estimated earnings included an offset for AVOs pending customer approval of US$9m (2022: US$6m).

Revenue of US$60m (2022: US$40m) was recognised during the year from amounts included in contract liabilities at the beginning of the year.

c. Expected credit loss allowance on contract assets

The below table provides information on ECL allowance for each contract asset category at the end of reporting periods:

As at 31 December 2023

	Work in progress US$m	Retention receivables US$m	Accrued income US$m	Total current contract assets US$m
ECL rate	**0.6%**	**0.4%**	**0.1%**	**0.5%**
Gross carrying amount	**684**	**106**	**46**	**836**
Less: ECL allowance	**(4)**	**–**	**–**	**(4)**
Net contract assets at 31 December 2023	**680**	**106**	**46**	**832**

As at 31 December 2022

	Work in progress (restated)[1] US$m	Retention receivables US$m	Accrued income US$m	Total current contract assets (restated)[1] US$m
ECL rate	0.4%	0.1%	0.4%	0.4%
Gross carrying amount	1,153	133	43	1,329
Less: ECL allowance	(5)	–	–	(5)
Net contract assets at 31 December 2022	1,148	133	43	1,324

1. The prior year numbers are restated; see note 2.9.

The movement in ECL allowance against each contract asset category is as follows:

Year ended 31 December 2023

	Work in progress US$m	Retention receivables US$m	Accrued income US$m	Total current contract assets US$m
At 1 January 2022	5	16	2	23
Transfer from ECL trade receivables (note 19)	–	3	–	3
Reversal of ECL provision (note 5e)	–	(19)	(2)	(21)
At 1 January 2023	**5**	**–**	**–**	**5**
Reversal of ECL provision (note 5e)	**(1)**	**–**	**–**	**(1)**
At 31 December 2023	**4**	**–**	**–**	**4**

d. Contract balances arising from contracts with customers

The Group's contract balances at 31 December are as follows:

	2023 US$m	2022 (restated)[1] US$m
Trade receivables (note 19)	**722**	499
Contract assets	**832**	1,324
Contract liabilities	**(292)**	(155)

1. The prior year numbers are restated; see note 2.9.

Trade receivables represent the Group's right to consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

The Group recognised an ECL allowance charge on trade receivables and contract assets arising from contracts with customers, included within the expected credit loss allowance line item of the consolidated income statement, amounting to US$15m for the year ended 31 December 2023 (2022: reversal of ECL allowance of US$21m).

Revenue recognised during the year from performance obligations satisfied in previous years, resulting from a change in transaction price, amounted to US$106m (2022 restated: US$163m).

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

21 Cash and short-term deposits

	2023 US$m	2022 US$m
Cash at bank and in hand	**121**	418
Short-term deposits	**80**	33
ECL allowance	**–**	(1)
Cash and short-term deposits	**201**	450

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at respective short-term deposit rates. The fair value of cash and bank balances is US$201m (2022: US$450m).

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	2023 US$m	2022 US$m
Cash and short-term deposits	**201**	450

Cash and cash equivalents included amounts totalling US$12m (2022: US$12m) held by the Group undertakings in certain countries whose exchange controls significantly restrict or delay the remittance of these amounts to foreign jurisdictions. Cash and cash equivalents also included US$71m (2022: US$203m) in joint operation bank accounts which are generally available to meet the working capital requirements of those joint operations but which can only be made available to the Group for its general corporate use with the agreement of the joint operation partners.

22 Share capital and related reserves

The share capital of the Company as at 31 December was as follows:

	Number of shares	Share capital US$m	Share premium US$m	Capital redemption reserve US$m
At 1 January 2022	519,818,832	10	251	11
Issue of shares to Employee Benefit Trust	1,338,610	–	–	–
At 31 December 2022	**521,157,442**	**10**	**251**	**11**
Issue of shares to Employee Benefit Trust	**892,079**	**–**	**–**	**–**
At 31 December 2023	**522,049,521**	**10**	**251**	**11**

The number of shares refers to US$0.02 ordinary shares, which are issued and fully paid. In total, there are 750,000,000 ordinary shares of US$0.02 authorised.

All the allotted and issued shares, including those held by the Employee Benefit Trust, were fully paid. The share capital comprises only one class of ordinary shares. The ordinary shares carry a voting right and the right to a dividend.

During 2023, the Company issued 892,079 shares to the Employee Benefit Trust, with a nominal value of $0.02 (2022: 1,338,610 shares issued with a nominal value of $0.02).

Share premium: The balance on the share premium account represents the amount received in excess of the nominal value of the ordinary shares adjusted for any associated issuance costs.

Capital redemption reserve: The balance on the capital redemption reserve represents the aggregated nominal value of the ordinary shares repurchased and cancelled.

23 Employee Benefit Trust (EBT) shares

The Petrofac Employee Benefit Trust (the Trust or EBT) was established to facilitate the Group's discretionary share scheme awards made to the employees of the Group. For the purpose of making awards under the Group's share-based payment plans, shares in the Company are purchased and held by the Trust. The Trust issues these shares to the Group employees subject to the satisfaction of any service and performance conditions of each scheme. The Trust is consolidated in the Group's consolidated financial statements in accordance with IFRS 10 'Consolidated Financial Statements'.

These shares have been classified in the consolidated balance sheet as EBT shares within equity. Shares vested during the year are satisfied with these shares. The movements in total EBT shares are shown below:

	2023		2022	
	Number	**US$m**	Number	US$m
At 1 January	**4,090,678**	**56**	5,232,105	69
Purchase of Company's shares by EBT[1]	**1,492,079**	**–**	1,338,610	–
Issue of Company's shares by EBT	**(2,286,445)**	**(18)**	(2,480,037)	(13)
At 31 December	**3,296,312**	**38**	4,090,678	56

1. Shares purchased in 2023 were at an average price of US$0.19 (2022: all shares purchased were at par value of US$0.02 per share).

Shares vested during the year include dividend shares of 25,279 shares (2022: 91,304 shares).

24 Share-based payment plans

Performance Share Plan (PSP)

Under the PSP, share awards are granted to Executive Directors and a restricted number of other senior executives of the Group. The shares vest at the end of three years, subject to continued employment and the achievement of certain predefined and independent market and non-market-based performance conditions. The market performance-based element of PSP awards is 50% (2022: 50%) dependent on the TSR of the Group compared with an index composed of selected relevant companies. The fair value of the shares vesting under this portion of the award is determined by an independent valuer using a Monte Carlo simulation model taking into account the terms and conditions of the plan rules and using the following assumptions at the date of grant:

	Executive Directors 2023 awards	**Other participants 2023 awards[1]**	Executive Directors 2022 awards	Other participants 2022 awards[1]	Executive Directors 2021 awards[1]	Other participants 2021 awards	Executive Directors 2020 awards	Other participants 2020 awards
Expected share price volatility (based on median of comparator group's three-year volatilities)	**75.5%**	**75.5%/66.9%**	73.8%	73.8%/75.1%	69.9%/71.2%	71.2%	51.4%	51.4%
Share price correlation with comparator group	**30.7%**	**30.7%/29.5%**	30.6%	30.6%/30.3%	31.8%/31.3%	31.3%	13.5%	13.5%
Risk-free interest rate	**3.7%**	**3.7%/4.9%**	1.5%	1.5%	0.2%	0.2%	0.2%	0.2%
Expected life of share award	**3 years**	**3 years**	3 years	3 years	3 years	3 years	3 years	3 years
Fair value of TSR portion	**25.0p**	**28.5p/40.2p**	31.8p	43.4p/65.3p	46.7p/58.7p	78.5p	145p	168p

1. There were two separate grants in the year.

The non-market-based condition governing the vesting of the remaining 50% (2022: 50%) of the PSP awards is subject to achieving certain strategic targets, including growing the revenue, delivering sector-leading margins, deleveraging the balance sheet and promoting diversity over a three-year period for the PSP awards granted during the year. The fair value of the equity-settled award relating to the non-market-based condition is estimated, based on the quoted closing market price of the Company's ordinary shares at the date of grant with an assumed annual vesting rate built into the calculation over the three-year vesting period of the plan and the estimated vesting rate for the achievement of strategic targets.

Deferred Bonus Share Plan (DBSP)

Under the historical DBSP, selected employees were required to defer a proportion of their annual cash bonus into Company shares (Invested Shares). Following such an award, the Company generally granted the participant an additional award of shares (Matching Shares) bearing a specified ratio to the number of Invested Shares, typically a 1:1 ratio. Subject to a participant's continued employment, Invested and Matching Share awards vest one-third on the first anniversary of the grant, one-third on the second anniversary and the final proportion on the third anniversary of the grant date.

The DBSP ended in April 2021 and no further awards will be made under this scheme. For historical awards, the costs relating to Matching Shares are recognised over the corresponding vesting period and the fair values of the equity-settled Matching Shares granted to employees is based on the quoted closing market price at the date of grant with the charge to the consolidated income statement adjusted to reflect the expected vesting rate of the plan.

Deferred Bonus Plan (DBP)

Under the DBP, selected employees are required to defer a proportion of their annual cash bonus into Company shares (DBP shares). Subject to a participant's continued employment, DBP share awards vest one-third on the first anniversary of the grant, one-third on the second anniversary and the final proportion on the third anniversary of the grant date. DBP share awards may be allocated on an ad hoc basis at the discretion of the Remuneration Committee.

At the end of the reporting period, the value of bonuses to be settled by shares cannot be determined until the Remuneration Committee has approved the portion of the employee bonuses to be settled in shares. Once the portion of the bonus to be settled in shares is determined, the costs relating to DBP Shares are recognised over the corresponding vesting period and the fair values of the equity-settled Shares granted to employees is based on the quoted closing market price at the date of grant with the charge to the consolidated income statement adjusted to reflect the expected vesting rate of the plan.

Share Incentive Plan (SIP)

All UK employees, including UK Executive Directors, are eligible to participate in the SIP. Employees may invest up to £1,800 per tax year of gross salary (or, if lower, 10% of salary) to purchase ordinary shares in the Company. There is no holding period for these shares.

Restricted Share Plan (RSP)

Selected employees are allocated grants of shares on an ad hoc basis. The RSP is primarily, but not exclusively, used to make awards to individuals who join the Group part way through the year, having left accrued benefits with a previous employer. The fair values of the awards granted under the RSP at various grant dates during the year are based on the quoted market price at the date of grant adjusted for an assumed vesting rate over the relevant vesting period, typically three years.

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

24 Share-based payment plans continued

Share-based payment plans information

The details of the fair values and assumed vesting rates of the share-based payment plans are below:

	PSP (non-market-based condition)				DBSP		DBP		RSP	
	Executive Directors		Other participants							
	Fair value per share	Assumed vesting rate	Fair value per share	Assumed vesting rate	Fair value per share	Assumed vesting rate	Fair value per share	Assumed vesting rate	Fair value per share	Assumed vesting rate
2023 awards	**65.6p**	**28.5%**	**74.8p/80.6p**	**28.5%**	**n/a**	**n/a**	**74.8p**	**95.0%**	**77.1p**	**95.0%**
2022 awards	88.9p	49.4%	103.5p/131.2p	49.4%	n/a	n/a	104p	95.0%	105p	95.0%
2021 awards	101p/116p	45.2%	134p	45.2%	–	–	n/a	n/a	128p	95.0%
2020 awards	250p	31.5%	271p	90.3%	271p	90.3%	n/a	n/a	126p	90.3%

The following table shows the movements in the number of shares held under the share-based payment plans outstanding but not exercisable:

	PSP		DBSP		DBP		RSP		Total	
	2023 Number	2022 Number	**2023 Number[1]**	2022 Number[1]	**2023 Number**	2022 Number	**2023 Number**	2022 Number	**2023 Number**	2022 Number
Outstanding at 1 January	**12,955,080**	7,282,199	**466,203**	1,808,624	**1,079,276**	–	**2,575,001**	2,317,256	**17,075,560**	11,408,079
Granted during the year	**14,585,597**	7,482,644	**–**	–	**6,599,146**	1,163,631	**7,861,789**	1,618,858	**29,046,532**	10,265,133
Vested during the year	**(86,965)**	(62,647)	**(460,715)**	(1,267,041)	**(542,427)**	–	**(1,175,716)**	(1,059,045)	**(2,265,823)**	(2,388,733)
Forfeited during the year	**(4,720,756)**	(1,747,116)	**(5,488)**	(75,380)	**(688,269)**	(84,355)	**(561,046)**	(302,068)	**(5,975,559)**	(2,208,919)
Outstanding at 31 December	**22,732,956**	12,955,080	**–**	466,203	**6,447,726**	1,079,276	**8,700,028**	2,575,001	**37,880,710**	17,075,560

1. Includes Invested and Matching Shares.

The number of shares still outstanding but not exercisable at 31 December for each award is as follows:

	PSP		DBSP		DBP		RSP		Total	
	2023 Number	2022 Number	**2023 Number[1]**	2022 Number[1]	**2023 Number**	2022 Number	**2023 Number**	2022 Number	**2023 Number**	2022 Number
2023 awards	**13,752,597**	n/a	**n/a**	n/a	**5,943,964**	n/a	**7,637,857**	n/a	**27,334,418**	n/a
2022 awards	**5,569,509**	7,114,108	**n/a**	–	**503,762**	1,079,276	**861,381**	1,591,374	**6,934,652**	9,784,758
2021 awards	**3,410,850**	4,390,419	**n/a**	–	**–**	–	**200,790**	513,927	**3,611,640**	4,904,346
2020 awards	**–**	1,450,553	**–**	466,203	**–**	–	**–**	468,991	**–**	2,385,747
2019 awards	**–**	–	**–**	–	**–**	–	**–**	709	**–**	709
Total awards	**22,732,956**	12,955,080	**–**	466,203	**6,447,726**	1,079,276	**8,700,028**	2,575,001	**37,880,710**	17,075,560

1. Includes Invested and Matching Shares.

The average share price of the Company's shares during 2023 was US$0.83, Sterling equivalent of £0.67 (2022: US$1.44, Sterling equivalent of £1.16).

The number of outstanding shares excludes the dividend shares shown below:

	RSP	
	2023 Number	2022 Number
Dividend shares outstanding at 31 December[1]	**–**	25,279

1. There were no outstanding dividend shares in respect of the PSP, DBSP or DBP as at 31 December 2023 (2022: nil).

The charge in respect of share-based payment plans recognised in the consolidated income statement is as follows:

	PSP		DBP		RSP		Total	
	2023 US$m	2022 US$m	**2023 US$m**	2022 US$m	**2023 US$m**	2022 US$m	**2023 US$m**	2022 US$m
Share-based payment charge	**3**	3	**3**	1	**2**	2	**8**	6

The Group recognised a share-based payment charge of US$8m (2022: US$6m) in the consolidated income statement relating to the employee share-based payment plans (note 5c) which was transferred to the share-based payments reserve.

For further details on the above employee share-based payment plans, refer to pages 131 to 136 of the Directors' remuneration report.

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

25 Other reserves

	Net unrealised gains/(losses) on derivatives US$m	Foreign currency translation US$m	Share-based payments reserve US$m	Total US$m
At 1 January 2022	(3)	(18)	63	42
Net changes in fair value of derivatives after reclassification of hedging gains to consolidated income statement	6	–	–	6
Foreign currency translation	–	14	–	14
Issue of Company's shares by Employee Benefit Trust	–	–	(12)	(12)
Credit to equity for share-based payments charge (note 24)	–	–	6	6
At 31 December 2022	3	(4)	57	56
At 1 January 2023	**3**	**(4)**	**57**	**56**
Net changes in fair value of derivatives after reclassification of hedging losses to consolidated income statement	**(3)**	**–**	**–**	**(3)**
Foreign currency translation	**–**	**(12)**	**–**	**(12)**
Foreign currency translation gains reclassified to the consolidated income statement	**–**	**(3)**	**–**	**(3)**
Issue of Company's shares by Employee Benefit Trust	**–**	**–**	**(18)**	**(18)**
Credit to equity for share-based payments charge (note 24)	**–**	**–**	**8**	**8**
At 31 December 2023	**–**	**(19)**	**47**	**28**

Net unrealised gains/(losses) on derivatives

The portion of gains or losses on cash flow hedging instruments that are determined to be effective hedges is included within this reserve net of related deferred tax effects. During 2023 a fair value loss of US$3m (2022: gain of US$6m) was recognised within equity. When the hedged transaction occurs or is no longer forecast to occur, the gain or loss is transferred from equity to the consolidated income statement. Net gains of US$1m (2022: US$nil) relating to an interest rate swap designated as a cash flow hedge were recognised in the finance expense line item in the consolidated income statement. Additionally, a net gain of US$3m (2022: loss of US$7m) relating to commodity swaps was recognised in revenue in the consolidated income statement.

Foreign currency translation reserve

The assets and liabilities of entities which have a non-United States dollar functional currency are translated into the Group's reporting currency, United States dollar, at the exchange rate prevailing at the end of the reporting period. The foreign currency differences arising on the translation are recognised in other reserves in equity.

Share-based payments reserve

The share-based payments reserve is used to recognise the value of equity-settled share-based payments awarded to employees and transfers out of this reserve are made upon vesting of the original share awards.

26 Interest-bearing loans and borrowings

	2023 US$m	2022 US$m
Current		
Senior secured notes	**586**	583
Revolving credit facility	**127**	117
Term loans	**71**	99
Total interest-bearing loans and borrowings	**784**	799

In April 2023, the Group successfully completed an amendment and extension to its existing bank debt facilities, with the maturity of the RCF and term loans extended to October 2024.

In December 2023, Petrofac's Board announced it was reviewing a range of strategic and financial options to strengthen the Group's balance sheet, improve liquidity and secure guarantees to support current and future EPC contracts. The planned resulting Financial Restructure is detailed on pages 8 and 9 and is expected to result in a conversion of a substantial portion of the Company's existing debt into equity, whilst also providing new debt facilities.

All facilities are for general corporate purposes. Details of the Group's interest-bearing loans and borrowings as at 31 December 2023 are as follows:

Senior secured notes

In November 2021, the Group issued US$600m of 9.75% senior secured notes, due November 2026. These are listed on the International Stock Exchange and were issued at a 0.97% discount to the nominal value, resulting in a total 10.0% yield to maturity for the purchasers of the notes. The notes were issued with a rating of B+ from Fitch and BB- from S&P, and the rating at 31 December 2023 stood at B-. Following the Group's announcements that it was undergoing a financial restructuring in 2024, S&P and Fitch reduced their ratings to CCC- and CC respectively.

The interest coupon is payable semi-annually in arrears and the Company has a call option to redeem the notes with a make-whole premium of 4.88% (2.44% from November 2024).

The Company did not make the interest coupon payment due on 15 May 2024. The payment has a 30-day grace period. An ad hoc group of noteholders representing approximately 41% of the outstanding notes, has entered into a forbearance agreement with the Company, which provides an assurance that those noteholders will not take any action in respect of the non-payment of the coupon until at least 30 June 2024, in order to provide time for the Financial Restructure to be progressed. The Company will seek to engage with other noteholders in the coming weeks and it is expected that any remaining non-payment will be resolved through the Financial Restructure.

Revolving credit facility

The Group had a US$127m committed RCF (2022: US$180m) with a syndicate of international banks. It is scheduled to amortise in steps over the remaining tenor and to mature in October 2024. At 31 December 2023, US$127m was drawn under this facility, net of US$nil of unamortised deferred acquisition costs (2022: US$117m). Interest is payable on the drawn balance of the facility and in addition, utilisation fees are payable depending on the level of utilisation.

The Group has agreed to pay a certain proportion of losses incurred by the original lenders to facilitate any transfer of their commitment under the facility to another lender. This has been classified as an embedded derivative on initial recognition and remeasured at fair value through profit or loss. The fair value of the embedded derivative as at 31 December 2023 was estimated at US$17m (2022: US$22m) (Level 2 of the 'fair value hierarchy' contained within IFRS 13 'Fair Value Measurement') as disclosed in note 6.

Term loans

At 31 December 2023, the Group had in place two bilateral term loans with a combined (and drawn) total of US$71m, net of US$nil of unamortised debt acquisition costs (2022: US$99m). Both facilities amortise in steps over the remaining tenor to October 2024.

Bank overdrafts

Bank overdrafts are utilised to meet the Group's working capital requirements. These are repayable on demand.

Compliance with covenants

The RCF and term loans (together, the 'Senior Loans') are subject to two financial covenants relating to minimum liquidity and minimum EBITDA:

- Liquidity (excluding cash held in joint operations) shall exceed US$75m at each month end.
- EBITDA shall exceed a balance specified for each testing period, which is the 12-month period ending on the relevant calendar quarter end.

The Group was compliant with its liquidity covenant throughout the year and with its EBITDA covenant for the quarters ended 31 March 2023 and 30 September 2023. However, whilst E&C made further progress towards closing out and completing historical contracts, EBITDA in Q2 and Q4 2023 suffered from a combination of lower levels of activity, no margin recognition on onerous contracts, an adverse operating leverage and write-downs in contract settlements resulting from measures taken to protect full-year cash flows. Due to the carryover effect of this result on the subsequent EBITDA financial covenants, Senior Loan lenders granted an amendment such that certain costs were agreed to be excluded from the computation of EBITDA for the quarter ended 30 June 2023 and subsequent testing dates for the purposes of the EBITDA covenant calculations.

As a result of this amendment, the Group was compliant with the covenant for the quarter ended 30 June 2023. The Group also received a waiver in respect of this covenant for the quarter ended 31 December 2023. However, as the amendment for the Senior Loans was received post year end, the Senior Secured Notes were reclassified as current loans and borrowings in the balance sheet at 31 December 2023.

Additionally, whilst the Company has been progressing the Financial Restructure, Senior Loan lenders have provided a series of rolling short-term deferrals of the contractual amortisation payments and the Company continued to engage with these lenders on extending these deferrals as required.

Both the Senior Loans and the Senior Secured Notes are secured obligations of the Company and rank equally in right of payment with each other.

27 Provisions

Non-current provisions

	End of service benefits provision US$m	Provision for decommissioning US$m	Other provisions US$m	Total US$m
At 1 January 2022	83	50	10	143
Additions/(reversals) during the year	3	7	(1)	9
Paid/utilised during the year	(13)	(4)	–	(17)
Unwinding of discount (note 7)	–	1	–	1
Translation difference	–	–	(1)	(1)
At 1 January 2023	**73**	**54**	**8**	**135**
Additions during the year	**10**	**–**	**1**	**11**
Paid during the year	**(13)**	**–**	**–**	**(13)**
Remeasurement of end of service benefits obligation	**5**	**–**	**–**	**5**
Unwinding of discount (note 7)	**3**	**2**	**–**	**5**
Translation difference	**1**	**–**	**–**	**1**
At 31 December 2023	**79**	**56**	**9**	**144**

End of service benefits provision

Labour laws in the Middle East and India require employers to provide for end of service benefits. These benefits are payable to employees on being transferred to another jurisdiction or on cessation of employment based on their final salary and number of years' service. All amounts are unfunded. These arrangements are accounted for as post-employment benefits under IAS 19.

The end of service benefits provision is based on an independent specialist's valuation model, with the key underlying assumptions being as on the following page:

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

27 Provisions continued

End of service benefits provision continued

	2023	2022
Average annual % salary increases	**3.3%**	2.0%
Discount factor	**5.2%**	5.1%

The discount factor used represents the yield on UAE high-quality corporate bonds, with a duration corresponding to that of the liability at the end of the reporting period. The weighted average duration of the end of service benefits obligation is three years (2022: five years). The unwinding of the discount is recognised in the finance expense (note 7) line item of the consolidated income statement and the remeasurements, comprising of actuarial gains and losses, are recognised as part of the retained earnings through OCI in the period in which they occur.

Provision for decommissioning

The decommissioning provision at the end of the reporting period relates to the Group's obligation for the removal of facilities and restoration of Block PM304 in Malaysia. The liability is discounted at a rate of 3.7% on Block PM304 (2022: 3.9%). The Group had paid US$44m as advances related to the decommissioning liability at 31 December 2023 (2022: US$40m), as disclosed in note 17.

The unwinding of the discount is recognised in the finance expense (note 7) line item of the consolidated income statement. The Group estimates that the cash outflows associated with this provision will take place in 2026.

Other provisions

The other provisions carrying amount at 31 December 2023 mainly represents technical insurance provisions and incurred but not reported (IBNR) reserves of US$7m (2022: US$6m) in respect of the Group's captive insurance company, Jermyn Insurance Company Limited.

Current provisions

	Onerous contract provisions US$m	Other provisions US$m	Total US$m
At 1 January 2022	50	31	81
Amounts provided during the year	269	1	270
Utilised during the year	(239)	(18)	(257)
At 1 January 2023	**80**	**14**	**94**
Amounts provided during the year	**296**	**6**	**302**
Utilised during the year	**(277)**	**(1)**	**(278)**
Reversed during the year	**–**	**(4)**	**(4)**
At 31 December 2023	**99**	**15**	**114**

Onerous contract provisions

Where it is determined that the unavoidable costs under a contract exceed the economic benefits expected to be received under it, the Group recognises a provision to represent the lower of the expected future losses from fulfilling the contract and any compensation or penalties arising from a failure to fulfil it. The amount of US$292m provided during the year related to contracts in the Engineering & Construction operating segment (2022: US$269m) and US$4m related to Asset Solutions operating segment (2022: US$nil).

Other provisions

The other provisions carrying amount as at 31 December 2023 includes provisions for dilapidations costs. US$4m reversed during the year (2022: provided US$1m) which related to a favourable outcome in respect of claims in the Engineering & Construction operating segment.

28 Trade and other payables

	2023 US$m	2022 (restated)[1] US$m
Trade payables	**604**	475
Accrued expenses	**213**	229
Retentions held against vendors and subcontractors	**60**	73
Payable to joint operation partners	**28**	28
Other taxes payable	**17**	21
Other payables	**8**	39
	930	865

1. Retentions held against vendors and subcontractors as at 31 December 2022 included US$17m in respect of amounts withheld as part of customary documentation completion procedures and therefore this has been reclassified to trade payables.

The increase in trade and other payables of US$65m is mainly due to the Group's focus on working capital management.

Accrued expenses primarily represent contract cost accruals relating to the Asset Solutions operating segment and non-contract cost accruals for the other operating segments.

Certain trade and other payables will be settled in currencies other than the reporting currency of the Group, mainly in Sterling, Euros and Kuwaiti dinars.

29 Leases

Group as lessee

The Group has lease contracts for various items of property, plant and equipment. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Group also has certain leases of office buildings with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

a. Right-of-use assets

The Group recognises right-of-use assets, within the property, plant and equipment line item of the consolidated balance sheet, at the commencement date of the lease (i.e. the date at which the underlying asset is available for use). The carrying amounts of right-of-use assets recognised and the movements during the period are disclosed in note 12.

b. Lease liabilities

The table below provides details of lease liabilities recognised within the other financial liabilities line item of the consolidated balance sheet:

	2023 US$m	2022 US$m
Lease liabilities at 1 January	**210**	251
Additions	**14**	19
Interest	**9**	12
Principal payments	**(57)**	(54)
Interest paid	**(8)**	(12)
Derecognised	**(22)**	–
Translation difference	**1**	(6)
At 31 December	**147**	210

The above lease liabilities included US$107m (2022: US$146m) of lease liabilities relating to Block PM304 in Malaysia that are presented at 100%, which is necessary to reflect the legal position of the Group as the contracting entity for these leases. The leases relating to Block PM304 in Malaysia associated with oil and gas facilities include a renewal option of up to two years and a purchase option at the end of the lease term.

The Group had a lease liability for an obligation to acquire the MOPU at the end of the lease term for an amount specified in the lease contract which was recognised as a lease liability equal to the future payment to acquire the unit, discounted at the incremental borrowing rate. The obligation to acquire the MOPU was extinguished upon the disposal of the Group's investment in associates (note 6) and therefore the associated carrying value of the lease liability of US$17m was derecognised during the year.

Additionally, one of the Group's subsidiaries in the United Kingdom ceased operations during the year and as a result, served notice on their office lease (to effect the break clause) due to uncertainty over the continued use of office space, for the remaining lease period. As a result, a lease liability of US$4m was derecognised during the year (note 6).

c. Amounts recognised in the consolidated income statement in respect of leases

	2023 US$m	2022 US$m
Depreciation charge in respect of right-of-use assets (note 12)	**24**	22
Finance expense recognised associated with lease liabilities (note 7)	**9**	12
Lease expense recognised for short-term leases and leases for low-value assets	**5**	7

d. Future lease payments

Set out below are the future lease payments in respect of leases for property, plant and equipment. These have remaining non-cancellable lease terms of between one and eight years. The discounted and undiscounted future minimum lease commitments as at 31 December 2023 are as follows:

	Present value US$m	Finance expense US$m	Future minimum lease payments US$m
Within one year	**68**	**7**	**75**
After one year but not more than five years	**79**	**5**	**84**
	147	**12**	**159**

The discounted and undiscounted future minimum lease commitments as at 31 December 2022 are as follows:

	Present value US$m	Finance expense US$m	Future minimum lease payments US$m
Within one year	66	10	76
After one year but not more than five years	144	12	156
	210	22	232

Group as lessor

As the lead joint operator of Block PM304 in Malaysia, the Group has entered into lease agreements in respect of oil and gas facilities, a MOPU vessel, an office building and vehicles on behalf of the joint operation partners. As the Group is the sole obligor in respect of these leases, the lease liability is recognised at 100% in the Group's consolidated balance sheet and a corresponding sub-lease in respect of the right-of-use assets to the other joint operation partners is also recognised. The sub-lease is classified as a finance lease as the lease term is co-terminus with reference to the right-of-use asset.

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

29 Leases continued

Group as lessor continued

During 2023, the Group recognised finance income on the lease receivable of US$5m (2022: US$6m). The maturity analysis of the lease receivable, on an undiscounted basis, is presented as follows:

	2023 US$m	2022 US$m
Within one year	**38**	39
One to two years	**21**	29
Two to three years	**15**	21
Three to four years	**–**	15
Total undiscounted lease receivable	**74**	104
Unearned finance income	**(5)**	(10)
Net investment in the lease	**69**	94

The Group estimates the loss allowance on the finance lease receivables at the end of the year at an amount equal to the lifetime ECL. None of the finance lease receivables at the end of the year are past due. Furthermore, under the associated joint operating agreement any default by the joint operation partners is fully recoverable via recourse available to the non-defaulting partners through a transfer or an assignment of the defaulting partner's equity interest. Therefore, management concluded that no ECL in respect of the receivable from joint operation partners was required at 31 December 2023 (2022: US$nil).

30 Commitments and contingent liabilities

Commitments

In the normal course of business, the Group obtains surety bonds, letters of credit and guarantees, which are contractually required to secure performance, advance payment or in lieu of retentions being withheld. Some of these facilities are secured by issue of corporate guarantees by the Company and its subsidiaries in favour of the issuing banks.

At 31 December 2023, the Group had outstanding letters of credit, letters of guarantee, including performance, advance payments and bid bonds of US$2,134m (2022: US$3,009m) against which the Group had pledged or restricted cash balances of US$223m (2022: US$111m).

At 31 December 2023, the Group had outstanding forward exchange contracts amounting to US$19m (2022: US$667m). These commitments consist of future gross obligations either to acquire or to sell designated amounts of foreign currency at agreed rates and value dates (note 33).

Capital commitments

At 31 December 2023, the Group had capital commitments of US$6m (2022: US$6m) excluding lease commitments (note 29):

	2023 US$m	2022 US$m
Block PM304 in Malaysia	**–**	3
Commitments in respect of development of the Group's digital systems and other information technology equipment	**6**	3
	6	6

Contingent liabilities

A Group subsidiary is subject to challenges by HMRC on the historical application of National Insurance Contributions (NICs) to workers in the UK Continental Shelf. In October 2021, a decision was issued by HMRC against Petrofac Facilities Management Limited (PFML) in respect of the historic application of NICs. PFML has appealed against the decision and no payment has been made to HMRC pending the outcome of the First-tier Tribunal (Tax), currently expected in the first quarter of 2025. Management, taking into consideration advice from independent legal and tax specialists, believes that it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and accordingly, no provision has been recognised. The maximum potential exposure to PFML in relation to NICs and interest, should it be unsuccessful in defending its position, is approximately £137m, equivalent to US$174m.

The Group also has a recourse available, in accordance with the contractual indemnity contained in some customer contracts, where it can possibly recover a portion of NICs and interest from its customers in the event the Group is unsuccessful in its appeal. Customers have been notified about HMRC's decision and a possible indemnity claim.

31 Related party transactions

The consolidated financial statements include the financial statements of Petrofac Limited and the subsidiaries listed in note 34. Petrofac Limited is the ultimate parent entity of the Group.

The following table provides the balances outstanding with related parties as at 31 December:

Related party receivables	2023 US$m	2022 US$m
Joint ventures	**15**	1

All sales to and purchases from related parties are approved by the operating segment's management. Related party transactions during the year included US$2m revenue from associates and US$13m revenue from joint ventures. All related party balances will be settled in cash.

In May 2017, the Board of Directors approved a donation of up to US$5m over the course of five years to the American University of Beirut (AUB) to establish the Petrofac Fund for Engineers endowment fund. However, in response to the Covid-19 pandemic and the change in economic circumstances, it has been agreed that the Group will instead pay for up to 100 Group employees to attend an AUB full-time course instead of making future donations for engineering scholarships. As part of its new commitment, the Group will pay the cost of the course to AUB and an educational stipend to all attendees. For the year ended 31 December 2023, US$0.4m was paid to the AUB (2022: US$1m). One of the Group's Non-executive Directors who is also a significant shareholder of the Company is a trustee of the AUB.

Compensation of key management personnel

The following details remuneration of key management personnel of the Group, comprising Executive and Non-executive Directors of the Company and other senior personnel. Further information relating to individual Directors of the Company is provided in the Directors' remuneration report on pages 127 to 140.

	2023 US$m	2022 US$m
Short-term employee benefits	**11**	7
Share-based payments charge	**5**	4
Fees paid to Non-executive Directors	**1**	1
	17	12

32 Accrued contract expenses

Accrued contract expenses represent contract cost accruals associated with the Group's fixed-price engineering, procurement and construction contracts. This is typically in respect of vendors and subcontractors for these contracts, whereas similar costs in respect of the Group's other contracts (such as cost reimbursable contracts, predominantly in Asset Solutions) are classified as accrued expenses within trade and other payables (note 28). The decrease in accrued contract expenses of US$68m was mainly due to lower levels of activity on construction contracts during the year in the Engineering & Construction operating segment.

33 Risk management and financial instruments

Risk management objectives and policies

The Group's principal financial assets and liabilities, other than derivatives, comprise trade and other receivables, other financial assets, cash and short-term deposits, interest-bearing loans and borrowings, trade and other payables, and other financial liabilities.

The Group's activities expose it to various financial risks particularly associated with interest rate risk on its variable rate cash and short-term deposits, interest-bearing loans and borrowings and foreign currency risk on conducting business in currencies other than the functional currency, as well as translation of the assets and liabilities of foreign operations to the reporting currency. These risks are managed from time to time by using a combination of various derivative instruments, principally forward currency contracts in accordance with the Group's hedging policies. The Group has a policy not to enter into speculative trading of financial derivatives.

The Board of Directors of the Company has established an Audit Committee which performs, amongst other roles, reviews on the effectiveness of the risk management and internal control systems to mitigate a range of risks, including financial risks, faced by the Group, which is discussed in detail on page 120.

The other main risks besides interest rate and foreign currency risk arising from the Group's financial instruments are credit risk, liquidity risk and commodity price risk; the policies relating to these risks are discussed in detail below.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the payments associated with the Group's interest-bearing financial liabilities and assets.

The Group's exposure to market risk arising from changes in interest rates relates primarily to the Group's long-term variable rate debt obligations and its cash and short-term deposits. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. The Group's cash and bank balances are at floating rates of interest.

The Group's variable interest-bearing loans and borrowings are primarily denominated in United States dollars, linked to United States dollar reference rates. The Group uses derivatives to swap between fixed and floating rates. At 31 December 2023, the proportion of floating rate debt was 25% of the total financial debt outstanding (2022: 27%).

Interest rate sensitivity analysis

The impact on the Group's profit before tax due to a reasonably possible change in interest rates on interest-bearing loans and borrowings at the reporting date and the impact on the Group's pre-tax equity due to changes in the fair value of interest rate swaps designated as cash flow hedges is demonstrated in the table below. The analysis assumes that all other variables remain constant.

	Profit before tax		Equity	
	100 basis point increase US$m	100 basis point decrease US$m	100 basis point increase US$m	100 basis point decrease US$m
31 December 2023	**(2)**	**2**	**–**	**–**
31 December 2022	(2)	2	–	–

Notes to the consolidated financial statements continued
For the year ended 31 December 2023

33 Risk management and financial instruments continued

Foreign currency risk
The Group is exposed to foreign currency risk on sales, purchases, and translation of assets and liabilities that are in a currency other than the functional currency of its operating units. The Group is also exposed to the translation of the functional currencies of its units to the United States dollar reporting currency of the Group.

The Group uses forward currency contracts to manage the currency exposure on transactions significant to its operations. It is the Group's policy not to enter into forward contracts until a highly probable forecast transaction is in place and to negotiate the terms of the derivative instruments used for hedging to match the terms of the hedged item to maximise hedge effectiveness.

Foreign currency sensitivity analysis
The income statements of subsidiaries with non-USD functional currencies are translated into the Group's reporting currency using a weighted average exchange rate. Foreign currency monetary items are translated using the closing rate at the reporting date. Revenues and costs in currencies other than the functional currency of an operating unit are recorded at the prevailing rate at the date of the transaction.

Due to a reduction in facility lines available from the Group's banks, the majority of the Group's hedged positions were closed out during the year, with the remainder closed out subsequent to the year end.

The following significant exchange rates applied during the year in relation to United States dollars:

	2023		2022	
	Average rate	**Closing rate**	Average rate	Closing rate
Sterling	**1.24**	**1.27**	1.24	1.20
Kuwaiti dinar	**3.25**	**3.25**	3.27	3.27
Euro	**1.08**	**1.10**	1.06	1.07

The following table summarises the impact on the Group's profit before tax (due to a change in the fair value of monetary assets, liabilities and derivative instruments) and the impact on the Group's pre-tax equity due to changes in the fair value of forward exchange contracts designated as cash flow hedges of changes in United States dollar exchange rates with respect to different currencies:

	Profit before tax		Equity	
	+10% US dollar rate increase US$m[1]	–10% US dollar rate decrease US$m[1]	+10% US dollar rate increase US$m	–10% US dollar rate decrease US$m
31 December 2023	**65**	**(65)**	**–**	**–**
31 December 2022	25	(25)	3	(3)

1. Includes impact on pegged currencies.

Derivative instruments
At 31 December, the Group had foreign exchange forward contracts as follows:

	Contract value		Fair value (undesignated)		Fair value (designated)		Net unrealised gain/(loss)[1]	
	2023 US$m	2022 US$m	**2023 US$m**	2022 US$m	**2023 US$m**	2022 US$m	**2023 US$m**	2022 US$m
Euro (sales)/purchases	**(13)**	(42)	**–**	1	**–**	(1)	**–**	(1)
Sterling sales	**–**	275	**–**	(9)	**–**	–	**–**	–
Kuwaiti dinar sales	**–**	218	**–**	–	**–**	(1)	**–**	(1)
Arab Emirates dirham purchases	**–**	(50)	**–**	–	**–**	–	**–**	–
Others	**2**	7		–		1		1
	(11)	408	**–**	(8)	**–**	(1)	**–**	(1)

1. Attributable to Petrofac Limited shareholders.

The above foreign exchange contracts mature and will affect profit before tax between January 2024 and April 2024 (2022: between January 2023 and November 2023).

During 2023, net changes in fair value resulting in a gain of US$nil (2022: gain of US$2m) relating to these derivative instruments were taken to equity. No gains or losses (2022: US$nil) were recycled from equity into cost of sales in the consolidated income statement.

As noted above, there are no more hedged positions in place.

The Group is exposed to the impact of changes in oil and gas prices on its revenues and net profit generated from sales of crude oil and gas. The Group's policy is to manage its exposure to the impact of changes in oil and gas prices using derivative instruments. Hedging is only undertaken once sufficiently reliable and regular long-term forecast production data is available.

Commodity price risk – oil prices

At 31 December 2023, the Group had commodity swap contracts as follows:

	Contract value	Fair value (designated)	Net unrealised gain
	bbl (thousands)	US$m	US$m
31 December 2023 – Brent Oil swaps	**515**	**–**	**–**
31 December 2022 – Brent Oil swaps	693	3	3

During 2023, net changes in fair value resulting in a loss of US$3m (2022: gain of US$3m) relating to commodity swap contracts were taken to equity and gains of US$3m (2022: losses of US$7m) were recycled from equity to revenues in the consolidated income statement. As noted above, further commodity hedges are also no longer available and therefore the Group only has commodity hedges in place for IES in respect of approximately 80% of forecast oil production volumes up to 30 September 2024.

A 10% increase in oil prices would result in a US$4m decrease in the fair value of commodity swap contracts and a 10% decrease in oil prices would result in a US$4m increase in the fair value of commodity swap contracts.

Credit risk

Business Unit Risk Review Committees (BURRC) evaluate the creditworthiness of each individual third party at the time of entering into new contracts. Limits have been placed on the approval authority of the BURRC above for which the approval of the Board of Directors of the Company is required. Receivable balances are monitored on an ongoing basis with appropriate follow-up action taken where necessary. At 31 December 2023, the Group's five largest customers accounted for 55% of outstanding trade receivables and contract assets (2022: 48%). The Group assesses the concentration of risk with respect to trade receivables and contract assets as low, as its customers are national oil companies and international oil companies.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, current and non-current receivables from joint operation partners for leases and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments (albeit the Group holds security over the counterparty's equity investments in these joint operations).

Liquidity risk

The Group's objective is to ensure sufficient liquidity to support operations and enable future growth. The provision of financial capital and the potential impact on the Group's capital structure is reviewed regularly. The maturity profiles of the Group's financial liabilities, based on the original contractual maturities, at 31 December are as follows:

Year ended 31 December 2023

	6 months or less US$m	6–12 months US$m	1–2 years US$m	2–5 years US$m	Contractual undiscounted cash flows US$m	Carrying amount US$m
Financial liabilities						
Interest-bearing loans and borrowings	**84**	**114**	**–**	**600**	**798**	**784**
Lease liabilities	**48**	**27**	**47**	**37**	**159**	**147**
Trade and other payables (excluding other taxes payable and retention payable)	**853**	**–**	**–**	**–**	**853**	**853**
Embedded derivative in respect of the revolving credit facility	**–**	**17**	**–**	**–**	**17**	**17**
Interest payments	**45**	**34**	**59**	**59**	**197**	**n/a**
	1,030	**192**	**106**	**696**	**2,024**	**1,801**

Year ended 31 December 2022 (restated)[1]

	6 months or less US$m	6–12 months US$m	1–2 years US$m	2–5 years US$m	Contractual undiscounted cash flows US$m	Carrying amount US$m
Financial liabilities						
Interest-bearing loans and borrowings	–	224	–	600	824	799
Lease liabilities	42	34	57	99	232	210
Trade and other payables (excluding other taxes payable and retention payable)	747	24	–	–	771	771
Derivative instruments	13	–	–	–	13	13
Embedded derivative in respect of the revolving credit facility	–	22	–	–	22	22
Interest payments	43	37	59	117	256	n/a
	845	341	116	816	2,118	1,815

1. The prior year numbers are restated; see note 28.

The Group uses various committed facilities provided by banks and financial assets including cash at bank and short-term deposits, to fund the above-mentioned financial liabilities.

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

33 Risk management and financial instruments continued

Capital management

The Group's policy is to maintain a robust capital base to support operations, growth and maximise shareholder value. Management notes that the ratios calculated below are significantly out of line with this policy and the comprehensive Financial Restructure (pages 8 and 9) that is currently being progressed with senior secured noteholders, lending banks and other key stakeholders is expected to result in a conversion of a significant portion of existing debt for equity, and therefore create a strengthened balance sheet and improved liquidity position, returning these ratios to more normalised levels.

The gearing ratio and return on shareholders' equity is as follows:

	2023 US$m	2022 (restated)[1] US$m
Cash and short-term deposits	**201**	450
Interest-bearing loans and borrowings (A)	**(784)**	(799)
Net debt (B)	**(583)**	(349)
Equity attributable to Petrofac Limited shareholders (C)	**(401)**	119
Reported net loss for the year attributable to Petrofac Limited shareholders (D)	**(505)**	(320)
Gross gearing ratio (A/C)	**(196)%**	671%
Net gearing ratio (B/C)	**(145)%**	293%
Shareholders' return on investment (D/C)	**(126)%**	(269)%

1. The prior year numbers are restated; see note 2.9.

34 Subsidiaries, associates and joint arrangements

At 31 December 2023, the Group had investments in the following active subsidiaries, associates and joint arrangements:

Name of entity	Country of incorporation	Percentage of nominal value of issued shares controlled by the Group **2023**	2022
Active subsidiaries			
Petrofac Algeria EURL	Algeria	**100**	100
Petrofac International (Bahrain) W.L.L	Bahrain	**100**	100
SPD Group Limited	British Virgin Islands	**100**	100
Petrofac South East Asia (B) Sdn. Bhd.	Brunei	**100**	100
Petrofac (Cyprus) Limited	Cyprus	**–**	100
Caltec Limited	England	**100**	100
K W Limited	England	**100**	100
Oilennium Limited	England	**100**	100
Petrofac (Malaysia-PM304) Limited	England	**100**	100
Petrofac Contracting Limited	England	**100**	100
Petrofac Engineering Limited	England	**100**	100
Petrofac Services Limited	England	**100[1]**	100[1]
Petrofac Treasury UK Limited	England	**100[1]**	100[1]
Petrofac UK Holdings Limited	England	**100[1]**	100[1]
PetroHealth Limited	England	**100**	100
Petrofac Deutschland GmbH	Germany	**100**	100
Petrofac International (Ghana) Limited Company	Ghana	**100**	100
Jermyn Insurance Company Limited	Guernsey	**100[1]**	100[1]
PT Petrofac International Indonesia	Indonesia	**67**	–
Petrofac Engineering India Private Limited	India	**100**	100
Petrofac Engineering Services India Private Limited	India	**100**	100
Petrofac Projects and Services Private Limited (formerly Petrofac Information Services Private Limited)	India	**100**	100
Petrofac Energy Developments International Limited	Jersey	**100[1]**	100[1]

Name of entity	Country of incorporation	Percentage of nominal value of issued shares controlled by the Group 2023	2022
Petrofac Facilities Management International Limited	Jersey	**100**[1]	100[1]
Petrofac International Ltd	Jersey	**100**[1]	100[1]
Petrofac Offshore Management Limited	Jersey	**100**	100
Petrofac Training International Limited	Jersey	**100**[1]	100[1]
Petroleum Facilities E & C Limited	Jersey	**100**[1]	100[1]
Petrofac E&C Sdn. Bhd.	Malaysia	**100**	100
Petrofac Energy Developments Sdn. Bhd.	Malaysia	**100**	100
Petrofac Engineering Services (Malaysia) Sdn. Bhd.	Malaysia	**70**	70
PFMAP Sdn. Bhd.	Malaysia	**100**	100
Petrofac EPS Sdn. Bhd.	Malaysia	**49**[2]	49[2]
Petrofac International (Mozambique), Lda	Mozambique	**100**	100
Petrofac Kazakhstan B.V.	Netherlands	**100**	100
Petrofac Netherlands Coöperatief U.A.	Netherlands	**100**	100
Petrofac Nigeria B.V.	Netherlands	**100**	100
Petrofac Norge B.V.	Netherlands	**100**	100
PTS B.V.	Netherlands	**100**	100
Petrofac Energy Services Nigeria Limited	Nigeria	**100**	100
Petrofac International (Nigeria) Limited	Nigeria	**100**	100
Petrofac Norge AS	Norway	**100**	100
Petrofac E&C Oman LLC	Oman	**100**	100
PKT Training Services Limited	Russia	**–**	100
Sakhalin Technical Training Centre	Russia	**–**	100
Petrofac Saudi Arabia Company Limited	Saudi Arabia	**100**	100
Petrofac International (Senegal) Sarl	Senegal	**100**	n/a
Atlantic Resourcing Limited	Scotland	**100**	100
Petrofac Facilities Management Group Limited	Scotland	**100**	100
Petrofac Facilities Management Limited	Scotland	**100**	100
Petrofac Training Group Limited	Scotland	**100**	100
Petrofac Training Limited	Scotland	**100**	100
Scotvalve Services Limited	Scotland	**100**	100
SPD Limited	Scotland	**100**	100

Name of entity	Country of incorporation	Percentage of nominal value of issued shares controlled by the Group 2023	2022
Global Mobility Company Pte Limited	Singapore	**100**[1]	100[1]
Petrofac South East Asia Pte Ltd	Singapore	**100**[1]	100[1]
Petrofac E&C International Limited	United Arab Emirates	**100**	100
Petrofac Emirates LLC (note 13)	United Arab Emirates	**75**	75
Petrofac International (UAE) LLC	United Arab Emirates	**100**	100
Guardian Decommissioning Inc	United States	**100**	n/a
Petrofac Inc.	United States	**100**	100
Petrofac Training Inc.	United States	**100**	100
Petrofac US Holdings Inc.	United States	**100**	100
W&W Energy Services Inc.	United States	**100**	100

Name of entity	Principal activities	Country of incorporation	Percentage of nominal value of issued shares controlled by the Group 2023	2022
Associates				
PetroFirst Infrastructure Limited	Leasing of floating platforms to oil and gas industry	Jersey	**–**	20
PetroFirst Infrastructure 2 Limited	Leasing of floating platforms to oil and gas industry	Jersey	**–**	10
Joint arrangements				
Joint ventures				
Socar – Petrofac LLC	Training services	Azerbaijan	**49**	49
Petrofac Kazakhstan Engineering Services LLP	Engineering services	Kazakhstan	**50**	50
Petrofac – ISKER LLP	Engineering and construction services	Kazakhstan	**50**	50
China Petroleum Petrofac Engineering Services Cooperatief U.A.	Consultancy for petroleum and chemical engineering	Netherlands	**–**	49

Notes to the consolidated financial statements continued

For the year ended 31 December 2023

34 Subsidiaries, associates and joint arrangements continued

Name of entity	Principal activities	Country of incorporation	Percentage of nominal value of issued shares controlled by the Group 2023	2022
Petrofac (Ghana) IJV Limited Company	Operations and maintenance for floating production storage and offloading	Ghana	**65**	65
Takatuf Petrofac Oman LLC	Construction, operation and management of a training centre	Oman	**40**	40
Petrofac HQC IJV LLC	Engineering, procurement and construction for a contract in Algeria	United Arab Emirates	**70**	n/a
Joint operations				
Petrofac – CPECC JV	Operations and maintenance contract in Iraq	Iraq	**65**[4]	65[4]
PSS Netherlands B.V.	Engineering, procurement, supply of equipment and materials and related services to execute the Company's scope of work for a contract in Thailand	Netherlands	**36**[3]	36[3]
Bechtel Petrofac JV	Engineering, procurement and construction management of a contract in UAE	Unincorporated	**35**[4]	35[4]
Petrofac/Bonatti JV	EPC for a contract in Algeria	Unincorporated	**70**[4]	70[4]
Petrofac/Daelim JV	EPC for a contract in Oman	Unincorporated	**50**[4]	50[4]
PM304 JV	Oil and gas exploration and production in Malaysia	Unincorporated	**35**[4]	35[4]
Petrofac/Samsung/CB&I CFP	EPC for a contract in Kuwait	Unincorporated	**47**[4]	47[4]
Petrofac/Samsung	EPC for a contract in Oman	Unincorporated	**50**[4]	50[4]
Petrofac/Saipem/Samsung	Onshore works for a contract in Thailand	Unincorporated	**36**[4]	36[4]
PFMIL/Gulf Petroleum Tech Services	Operations and maintenance services for a contract in Iraq	Unincorporated	**65**[4]	65[4]
Petrofac/Saipem JV	Front-end engineering design services for Umm Sharif Gas Project	Unincorporated	**50**[4]	50[4]

Please note that only active entities are shown in the above tables. All dormant entities have been omitted.

1. Directly held by Petrofac Limited.
2. Entities consolidated as subsidiaries on the basis of control.
3. The joint arrangement is classified as a joint operation as, contractually, the joint operation partners have rights to the joint operation's assets and obligation for the joint operation's liabilities.
4. The unincorporated arrangement between the venturers is a joint arrangement as, contractually, all the decisions about the relevant activities require unanimous consent by the venturers. Unincorporated joint arrangements are recognised in the Group's financial statements as joint operations.

The Group's ownership interest in associates and joint ventures is disclosed in note 16.

Appendices

Appendix A

The Group references Alternative Performance Measures (APMs) when evaluating the Group's reported financial performance, financial position and cash flows that are not defined or specified under International Financial Reporting Standards (IFRS). The Group considers that these APMs, which are not a substitute for or superior to IFRS measures, provide stakeholders with additional useful information by adjusting for certain reported items which impact upon IFRS measures or, by defining new measures, aid the understanding of the Group's financial performance, financial position and cash flows. These are aligned to measures which are used internally to assess business performance in the Group's processes when determining compensation.

The ROCE APM has been removed this year as it is no longer an APM that the Group actively monitors, as the volume of activity in the capital-intensive IES operating segment reduces.

<table>
<tr><th>APM</th><th>Description</th><th>Closest equivalent IFRS measure</th><th>Adjustments to reconcile to primary statements</th><th>Rationale for adjustments</th></tr>
<tr><td>Group's business performance net profit attributable to Petrofac Limited shareholders (note A1)</td><td>Measures net profitability</td><td>Group's net profit/(loss)</td><td rowspan="2">Petrofac presents business performance APM in the consolidated income statement as a means of measuring underlying business performance. The business performance net profit measure excludes Separately Disclosed Items (SDI) (note 2.8). Business performance diluted earnings per share is calculated only when the reported result is a profit</td><td rowspan="2">The intention of this measure is to provide users of the consolidated financial statements with a clear and consistent presentation of underlying business performance</td></tr>
<tr><td>Business performance basic and diluted earnings per share attributable to Petrofac Limited shareholders (note A2)</td><td>Measures net profitability</td><td>Basic and diluted earnings per share</td></tr>
<tr><td>Business performance earnings before interest, tax, depreciation and amortisation (EBITDA) (note A3)</td><td>Measures operating profitability</td><td>Operating profit/(loss)</td><td>Excludes SDI (note 2.8), depreciation, amortisation, business performance impairment and includes share of net profits from associates and joint ventures</td><td>The intention of this measure is to provide users of the consolidated financial statements with a clear and consistent presentation of underlying operating performance</td></tr>
<tr><td>Business performance earnings before interest and tax (EBIT) (note A4)</td><td>Measures operating profitability</td><td>Operating profit/(loss)</td><td>Excludes SDI (note 2.8) and includes share of net profits from associates and joint ventures</td><td>The intention of this measure is to provide users of the consolidated financial statements with a clear and consistent presentation of underlying operating performance</td></tr>
<tr><td>Reported earnings before interest, tax, depreciation and amortisation (EBITDA) (note A5)</td><td>Measures operating profitability</td><td>Operating profit/(loss)</td><td>Excludes impairment of non-financial assets, depreciation, amortisation and includes share of net profits from associates and joint ventures</td><td>The intention of this measure is to provide users of the consolidated financial statements with a clear and consistent presentation of operating performance</td></tr>
<tr><td>Reported earnings before interest and tax (EBIT) (note A6)</td><td>Measures operating profitability</td><td>Operating profit/(loss)</td><td>Includes share of net profits from associates and joint ventures</td><td>The intention of this measure is to provide users of the consolidated financial statements with a clear and consistent presentation of operating performance</td></tr>
</table>

Appendices continued

Appendix A continued

APM	Description	Closest equivalent IFRS measure	Adjustments to reconcile to primary statements	Rationale for adjustments
Business performance effective tax rate (ETR) (note A7)	Measures tax charge	Income tax expense	Excludes income tax expense or credit related to SDI	The intention of this measure is to provide users of the consolidated financial statements with a clear and consistent presentation of underlying business performance ETR
Capital expenditure (note A8)	Measures net cash cost of capital investment	Net cash flows generated from/(used in) investing activities	Excludes dividends received from associates and joint ventures, net loans repaid by/(paid to) associates and joint ventures, proceeds from disposal of property, plant and equipment, proceeds from disposal of subsidiaries and interest received	Excludes items not considered relevant to capital investment
Free cash flow (note A9)	Measures net cash generated after operating and investing activities to finance returns to shareholders	Net cash flows generated from/(used in) operating activities plus net cash flows (used in)/generated from investing activities less interest paid and the repayment of finance lease principal plus amounts received from non-controlling interest	n/a	n/a
Working capital, balance sheet measure (note A10)	Measures the investment in working capital	No direct equivalent. Calculated as inventories plus trade and other receivables plus contract assets plus restricted cash minus trade and other payables minus contract liabilities minus accrued contract expenses	n/a	n/a
Cash conversion (note A11)	Measures the conversion of EBITDA into cash	No direct equivalent. Calculated as cash generated from operations divided by business performance EBITDA	n/a	n/a
Net lease liabilities (note A12)	Measures net lease liabilities	No direct equivalent. Calculated as gross lease liabilities less joint operation partners' share of leases in respect of right-of-use assets relating to Block PM304 in Malaysia	n/a	n/a
Net debt/net cash (note A13)	Measures indebtedness	No direct equivalent. Calculated as interest-bearing loans and borrowings less cash and short-term deposits	n/a	n/a
New order intake (note A14)	Provides visibility of future revenue	No direct equivalent. Calculated as net awards and net variation orders	n/a	n/a

A1. Business performance net loss attributable to Petrofac Limited shareholders

	2023 US$m	2022 (restated)[1] US$m
Reported net loss (A)	**(523)**	(347)
Adjustments – separately disclosed items (note 6):		
Impairment of assets (net)	**(7)**	(5)
Losses on disposal	**8**	–
Fair value remeasurements	**(3)**	(10)
Cloud ERP implementation costs	**5**	10
Restructuring and refinancing-related costs	**20**	5
Other separately disclosed items	**2**	7
Operating loss separately disclosed items (B1)	**25**	7
Finance expense separately disclosed items (B2)	**(5)**	18
Tax charge on separately disclosed items (B3)	**–**	1
Post-tax separately disclosed items (C = B1 + B2 + B3)	**20**	26
Group's business performance net loss (D = (A + C))	**(503)**	(321)
Loss attributable to non-controlling interest	**18**	27
Business performance net loss attributable to Petrofac Limited shareholders	**(485)**	(294)

1. The prior year numbers are restated; see note 2.9.

A2. Business performance basic loss per share attributable to Petrofac Limited shareholders

	2023 US$m	2022 (restated)[3] US$m
Reported net loss attributable to Petrofac Limited shareholders (E)	**(505)**	(320)
Add: post-tax separately disclosed items (Appendix A, note A1)	**20**	26
Business performance net loss attributable to Petrofac Limited shareholders (E1)	**(485)**	(294)

	2023 Shares million	2022 Shares million
Weighted average number of ordinary shares for basic earnings per share[1] (F) (note 9)	**519**	515
Weighted average number of ordinary shares for diluted earnings per share[2] (F1) (note 9)	**519**	515

	2023 US cents	2022 (restated)[3] US cents
Basic loss per share		
Business performance (E1/F x 100)	**(93.4)**	(57.1)
Reported (E/F x 100)	**(97.3)**	(62.1)
Diluted loss per share		
Business performance (E1/F1 x 100)	**(93.4)**	(57.1)
Reported (E/F1 x 100)	**(97.3)**	(62.1)

1. The weighted number of ordinary shares in issue during the year, excluding those held by the Employee Benefit Trust.
2. For the year ended 31 December 2023 and 2022, potentially issuable ordinary shares under the share-based payment plans are excluded from both the business performance and reported diluted earnings per ordinary share calculation, as their inclusion would decrease any loss per ordinary share.
3. The prior year numbers are restated; see note 2.9.

A3. Business performance EBITDA

	2023 US$m	2022 (restated)[1] US$m
Reported operating loss	**(420)**	(241)
Adjustments:		
Operating loss separately disclosed items (Appendix A, note A1)	**25**	7
Share of net profits from associates and joint ventures (note 16)	**2**	5
Depreciation (note 12)	**78**	74
Amortisation, business performance impairment and write-off (notes 5a, 5b and 5g)	**5**	5
Business performance EBITDA	**(310)**	(150)

1. The prior year numbers are restated; see note 2.9.

Appendices continued

A4. Business performance EBIT

	2023 US$m	2022 (restated)[1] US$m
Reported operating loss	**(420)**	(241)
Adjustments:		
Operating loss separately disclosed items (Appendix A, note A1)	**25**	7
Share of net profits from associates and joint ventures (note 16)	**2**	5
Business performance EBIT	**(393)**	(229)

1. The prior year numbers are restated; see note 2.9.

A5. Reported EBITDA

	2023 US$m	2022 (restated)[1] US$m
Reported operating loss	**(420)**	(241)
Adjustments:		
Net impairment of non-financial assets classified as separately disclosed items (notes 12 and 15)	**(5)**	(5)
Share of net profits from associates and joint ventures (note 16)	**2**	5
Depreciation (note 12)	**78**	74
Amortisation, business performance impairment and write-off (notes 5a, 5b and 5g)	**5**	5
Reported EBITDA	**(340)**	(162)

1. The prior year numbers are restated; see note 2.9.

A6. Reported EBIT

	2023 US$m	2022 (restated)[1] US$m
Reported operating loss	**(420)**	(241)
Adjustments:		
Share of net profits from associates and joint ventures (note 16)	**2**	5
Reported EBIT	**(418)**	(236)

1. The prior year numbers are restated; see note 2.9.

A7. Business performance ETR

	2023 US$m	2022 (restated)[1] US$m
Reported income tax (credit)/expense	**(3)**	2
Less: Tax charge on separately disclosed items (Appendix A, note A1)	**–**	(1)
Business performance income tax (credit)/expense (G)	**(3)**	1
Group's business performance net loss (Appendix A, note A1)	**(503)**	(321)
Group's business performance loss before tax (H)	**(506)**	(320)
Business performance ETR (G/H x 100)	**(0.6)%**	0.3%

1. The prior year numbers are restated; see note 2.9.

A8. Capital expenditure

	2023 US$m	2022 US$m
Net cash flows generated from investing activities	**(32)**	(98)
Adjustments:		
Contingent consideration paid	**(4)**	(2)
Dividends received from associates and joint ventures	**4**	8
Net proceeds from disposal of investment in associates	**13**	–
Receipts from Shanghai Zhenhua Heavy Industries Co Ltd in respect of JSD6000 vessel	**–**	5
Receipts from joint operation partners in respect of leases	**28**	28
Net cash flows from disposal of subsidiaries, including receipt against contingent consideration	**(1)**	98
Proceeds from disposal of property, plant and equipment	**2**	1
Interest received	**6**	6
Capital expenditure	**16**	46

A9. Free cash flow

	2023 US$m	2022 US$m
Net cash flows used in operating activities	**(97)**	(146)
Net cash flows generated from investing activities	**32**	98
Interest paid	**(101)**	(86)
Repayment of lease liabilities	**(57)**	(54)
Free cash flow	**(223)**	(188)

A10. Working capital

	2023 US$m	2022 (restated)[1] US$m
Inventories (note 18)	**11**	17
Trade and other receivables (note 19)	**977**	739
Contract assets (note 20)	**832**	1,324
Restricted cash (note 17)	**223**	111
Assets (I)	**2,043**	2,191
Trade and other payables (note 28)	**930**	865
Contract liabilities (note 20)	**292**	155
Accrued contract expenses (note 32)	**691**	759
Liabilities (J)	**1,913**	1,779
Working capital (I–J)	**130**	412

1. The prior year numbers are restated; see note 2.9.

A11. Cash conversion

	2023 US$m	2022 (restated)[1] US$m
Cash (used in)/generated from operations (S)	**(39)**	21
Business performance EBITDA (T)	**(310)**	(150)
Cash conversion (S/T x 100)	**12.6%**	<0.0%

1. The prior year numbers are restated; see note 2.9.

A12. Net lease liabilities

	2023 US$m	2022 US$m
Non-current lease liabilities (note 17)	**79**	144
Current lease liabilities (note 17)	**68**	66
Total lease liabilities	**147**	210
Non-current receivable from joint operation partners for leases relating to Block PM304 in Malaysia (note 17)	**34**	60
Current receivable from joint operation partners for leases relating to Block PM304 in Malaysia (note 17)	**35**	34
Total receivable from joint operation partners for leases relating to Block PM304 in Malaysia	**69**	94
Net non-current lease liabilities	**45**	84
Net current lease liabilities	**33**	32
Net lease liabilities	**78**	116

A13. Net debt

	2023 US$m	2022 US$m
Interest-bearing loans and borrowings (U) (note 26)	**784**	799
Less: Cash and short-term deposits (V) (note 21)	**(201)**	(450)
Net debt (U–V)	**583**	349

A14. New order intake

	2023 US$m	2022 US$m
Engineering & Construction operating segment		
Net awards	**5,337**	281
Net variation orders	**161**	269
	5,498	550
Asset Solutions operating segment		
Net awards	**1,332**	1,312
Net variation orders	**275**	65
	1,607	1,377
New order intake	**7,105**	1,927

Shareholder information

as at 31 May 2024

Registrars

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26 New Street
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Corporate and financial PR

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Company Secretary and Registered office

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Stock Exchange listing

Petrofac shares are listed on the London Stock Exchange using code 'PFC.L'.

Announcements

Copies of all announcements are available on the Company's website at petrofac.com

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Shareholder warning

Shareholders should be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports on the Company. Fraudsters use persuasive and high-pressure tactics to lure investors into scams and they may offer to sell shares that often turn out to be worthless, overpriced or even non-existent. Whilst high returns are promised, those who invest usually end up losing their money.

Please keep in mind that firms authorised by the Financial Conduct Authority (FCA) are unlikely to contact you out of the blue. If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation and make a record of any other information they give you, e.g. telephone number, address, and ask for their 'firm reference number' (FRN)
- Check that they are properly authorised by the FCA before getting involved. You can check the FCA register at https://register.fca.org.uk or call +44 800 111 6768
- Report approaches to the FCA – a list of unauthorised overseas firms who are targeting, or have targeted, UK investors is maintained. Reporting such organisations means the list can be kept up to date and appropriate action be considered
- Inform Equiniti (Jersey) Limited, our Registrars. They are not able to investigate such incidents themselves, but will record the details and pass them on to the Company and liaise with the FCA on your behalf
- Consider that if you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme

If you suspect you have been approached by fraudsters, please contact the FCA using the share fraud reporting form at **fca.org.uk/scams**

You can also call the FCA Helpline on:
0800 111 6768 (UK freephone) or 0300 500 8082 (UK), or +44 207 066 1000 (outside UK)

If you have already paid money to share fraudsters, you should contact Action Fraud on 0300 123 2040 or online at **actionfraud.police.uk**

Glossary

A

ADNOC The Abu Dhabi National Oil Company is the state-owned oil company of the United Arab Emirates

APM Alternative performance measure

Appraisal well A well drilled into a discovered accumulation to provide data necessary to define a Field Development Plan for the accumulation

AS Asset Solutions

B

Backlog consists of the estimated revenue attributable to the uncompleted portion of fixed-price engineering, procurement and construction contracts and variation orders plus, with regard to engineering, operations, maintenance and IES contracts, the estimated revenue attributable to the lesser of the remaining term of the contract and five years. The Group uses this key performance indicator as a measure of the visibility of future earnings. Backlog is not an audited measure

BAME Black, Asian and minority ethnic

Barrel A unit of volume measurement used for petroleum

bbl One barrel of oil

BEIS The Department for Business, Energy and Industrial Strategy, which is a department of the United Kingdom Government

Bio-CCS Bioenergy Carbon Capture and Storage

Block A subdivision of an underground petroleum reservoir, by a resource owner, for the purposes of licensing and administering exploration, appraisal and production of resources, by oil and gas companies

boe Barrel of oil equivalent

bpd Barrel per day

Brownfield development Further investment in a mature field, to enhance its production capacity, thereby increasing recovery and extending field life

C

CAGR Compound annual growth rate

Capex Capital expenditure

Carbon capture The process of capturing waste carbon dioxide

CCUS Carbon capture, usage and storage

CDP Carbon Disclosure Project

CGU Cash-generating unit

CIS Commonwealth of Independent States

CO_2 Carbon dioxide

Condensate The liquid produced by the condensation of steam or any other gas

COP28 The 2023 United Nations Climate Change Conference. This was the 28th UN Climate Change conference held in Dubai, UAE from 30 November–12 December 2023

Cost plus KPIs A reimbursable contract which includes an incentive income linked to the successful delivery of key performance indicators

D

DBP Deferred Bonus Plan

Decommissioning The re-use, recycling and disposal of redundant oil and gas facilities

Downstream The refining of petroleum crude oil and the processing and purifying of raw natural gas, as well as the marketing and distribution of products derived from crude oil and natural gas

Duty Holder A contracting model under which Petrofac provides a complete managed service, covering production and maintenance work, both offshore and onshore, to reduce the costs of operating and to extend the life of the facilities

E

EBIT Earnings before interest, taxation and amortisation

EBITDA Calculated as profit before tax and net finance costs and income, but after our share of profits/losses from associates and joint ventures (as per the consolidated income statement), adjusted to add back charges for depreciation and amortisation (as per note 4 to the consolidated financial statements)

EBT Employee Benefit Trust

ECL Expected credit loss

E&C Engineering & Construction

EPC Engineering, Procurement and Construction

EPCC Engineering, Procurement, Construction and Commissioning

EPCI Engineering, Procurement, Construction and Installation

EPCIC Engineering, Procurement, Construction, Installation and Commissioning

EPS Earnings per share

ESG Environmental, Social and Governance

ETR Effective Tax Rate

F

FCA Financial Conduct Authority

FCPA Foreign Corrupt Practices Act

FEED Front-End Engineering and Design

Fixed-price turnkey project An agreement in which a contractor designs, constructs, and manages a project until it is ready to be handed over to the customer and operation can begin immediately

FPF Floating Production Facility

FPSO Floating Production, Storage and Offloading vessel

FRC Financial Reporting Council

Glossary continued

G

Gas field A field containing natural gas but no oil

GHG Greenhouse gas

Greenfield development Development of a new field

H

HSE Health & Safety Executive (UK)

HVAC High-voltage alternating current

HVDC High-voltage direct current

Hydrocarbon A compound containing only the elements hydrogen and carbon – can be solid, liquid or gas

I

IAS International Accounting Standards

IASB International Accounting Standards Board

ICV In-country value

IEA International Energy Agency

IES Integrated Energy Services. The IES division harnesses Petrofac's existing service capabilities and delivers them on an integrated basis to resource holders with the aim of supporting the development of their oil and gas resources

IFRS International Financial Reporting Standards

IFRIC IFRS Interpretations Committee

IOC International oil company

J

Just transition Moving to a more sustainable economy in a way that is fair to everyone

K

KPI Key performance indicator

L

LNG Liquefied natural gas

LPG Liquefied petroleum gas

LTI Lost time injury

M

mboe Million barrels of oil equivalents

MENA Middle East and North Africa region

MMscfd Million standard cubic feet per day

MOPU Mobile offshore production unit

MOU Memorandum of understanding

N

Net Zero The balance between the amount of greenhouse gas emissions that are produced and the amount that are removed from the atmosphere

New Energies Area focusing on opportunities presented by the energy transition

NGO Non-governmental organisation

NOC National oil company

O

OECD Organisation for Economic Co-operation and Development

Oil field A geographic area under which an oil reservoir lies

OPEC Organisation of Petroleum Exporting Countries

P

Paris Agreement A legal binding international treaty on climate change, which was adopted by 196 parties at COP 21 in Paris in 2015. Its goal is to limit global warming to below 2, preferably to 1.5 degrees Celsius, compared with pre-industrial levels

PEC Production Enhancement Contract is where Petrofac is paid a tariff per barrel for oil and gas production and therefore has no commodity price exposure

PMC Project Management Contractor

PSC Production Sharing Contract

PSP Performance Share Plan

R

RCF Revolving credit facility

Reimbursable services Where the cost of Petrofac's services are reimbursed by the customer plus an agreed margin

RI Recordable injury

ROCE Return on capital employed

RSP Restricted Share Plan

S

SaaS Software as a Service

SDI Separately disclosed items

SFO Serious Fraud Office

SIP Share Incentive Plan

SMEs Small and medium-sized enterprises

SPA Sale and purchase agreement

T

TCFD Task Force on Climate-related Financial Disclosures

TCO_2e Tonnes of carbon emissions

Technology neutral Being able to define the best technological solutions for clients' projects from a wide range of suppliers and partners

TSR Total shareholder return

U

UKCS United Kingdom Continental Shelf

UNGC United Nations Global Compact Upstream The segment of the petroleum industry relating to exploration, development and production of oil and gas resources

W

W2V Waste-to-value

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