

# Moving from ambition to action and delivery





# Introduction



The world's energy needs are evolving rapidly. A growing global population is predicted to require more energy, but also demanding that it is delivered with lower emissions to meet the growing concern over climate change.

While oil & gas will still be a significant part of the global energy mix for many decades to come, the increase in renewable and low carbon solutions presents Petrofac with a significant growth opportunity.

Our core service offerings of designing, building and operating complex energy infrastructure are needed just as much in the new energy sector as they are in upstream and refining. Our Oil & Gas project delivery heritage gives us a wealth of experience and technical expertise on which to build.

However, there is an increasing awareness that the transition we need to make to address the challenges of a changing climate are going to fundamentally impact the way we live, work, and execute our projects.

## COMMITTED TO NET-ZERO BY 2030

Petrofac's ambition is to become a net-zero company by 2030, with our Energy Production Services Business Unit achieving net-zero by 2025.

Our targets support the principles of the Paris Climate Agreement, the UK government's net-zero goal, and are aligned with our clients' own ambitions as the sector shifts towards a low carbon economy.

## ACHIEVING COMPLIANCE WITH THE TCFD RECOMMENDATIONS

To better understand the potential impacts of climate change on the business, we continued to work towards full compliance with the recommendations of the Task force on Climate-related Financial Disclosures (TCFD).

To do so, we formed a TCFD working group with representatives and input from key functions across the business. The group reviewed how Petrofac might be impacted by a changing climate; looking at different scenarios to provide perspective and understanding of potential risks and opportunities, to help inform Petrofac's business strategy.

The working group then reviewed our arrangements for climate response with respect to governance, metrics and targets, strategy, and our management of risk.

The ambition, commitments and actions outlined in this report form the basis of our response to the risks posed by our changing climate and the evolving opportunities of the energy transition.

Never before have we had such an awareness of the importance of sustainability. We now have a duty of care to do all we can to put this awareness into action and move from ambition to delivery

**Sami Iskander**  
Group Chief Executive



# Governance of Climate-related Issues

Petrofac's Board of Directors (Board) and Group Executive Committee (GEC) play an increasingly important role in addressing climate related risks and opportunities. Table 1 summarises how the company's governance functions are involved in assessing, managing and overseeing these issues.

## ROLE OF THE BOARD

The Board remains committed to maintaining the highest standards of corporate governance of climate-related issues and their implications on business strategy and related plans.

The Board is assisted by four Board committees that have climate-related responsibilities within their Audit, Compliance and Ethics, Nominations and Remuneration Remit.

The Board and its Committees typically meet every 2-3 months. In addition to these Board committees, there are a number of executive management committees in place, which are involved in the day-to-day operational management of the company and consider matters for recommendation to the Board and its Committees, covering; enterprise risk, sustainability and advancing the company's position within the energy transition.

The Board ensures that Management assess the materiality of climate-related risks and opportunities for the company and that actions and responses are proportionate to materiality.

The Board and the GEC ensure responding to climate issues and the energy transition inform strategic investment and planning processes and are embedded into the management of risk and opportunities across the organization.

**The Board remains committed to maintaining the highest standards of corporate governance of climate-related issues and their implications on business strategy and related plans.**





# Governance of Climate-related Issues

Table 1: **Corporate Governance Structure**  
Climate-related responsibilities

<p><b>BOARD</b> Provides leadership and direction for the Group on climate-related issues. Sets overall climate strategy and oversees its implementation. Ensures appropriate systems and processes are in place to monitor and manage Group risk.</p> <p>Responsible for financial performance and corporate governance.</p>	<p><b>Chairman</b></p> <ul style="list-style-type: none"> <li>&gt; Leads the Board and ensures effective communication flows between Directors</li> <li>&gt; Responsible for ensuring effective Board governance</li> <li>&gt; Ensures effective communication with stakeholders</li> </ul> <hr/> <p><b>Group Chief Executive</b></p> <ul style="list-style-type: none"> <li>&gt; Accountable for development and implementation of agreed strategy and objectives on climate-related issues, including advancing the company position within the energy transition</li> </ul> <hr/> <p><b>Chief Financial Officer</b></p> <ul style="list-style-type: none"> <li>&gt; Manages the Group's finances and accountable for setting the Group's sustainability strategy as chair of the Group's Sustainability Steering Committee</li> <li>&gt; Responsible for the delivery of ESG strategies, and maintains relationships with key external stakeholders, including shareholders, lenders and credit/ESG rating agencies</li> </ul> <hr/> <p><b>Senior Independent Director</b></p> <ul style="list-style-type: none"> <li>&gt; Acts as a sounding board and confidant to the Chairman, and provides technical guidance to the Group Sustainability and Energy Transition Steering Committees from broad energy industry knowledge of technology, operations and sustainability</li> </ul> <hr/> <p><b>Non-Executive Directors</b></p> <ul style="list-style-type: none"> <li>&gt; Support executive management, monitor delivery of strategy on climate-related issues, and provide constructive challenge and rigour to the Committees</li> </ul> <hr/> <p><b>Secretary to the Board</b></p> <ul style="list-style-type: none"> <li>&gt; Advises the Board and Committees on all governance, legislation and regulatory requirements</li> </ul>	<p><b>Audit Committee</b> Reviews and scrutinizes; climate-related financial information, regulatory compliance, and the systems of control, risk management and audit.</p> <hr/> <p><b>Remuneration Committee</b> Sets executive remuneration policy and oversees Group remuneration framework, including climate-related performance pay schemes.</p> <hr/> <p><b>Nominations Committee</b> Identifies and nominates suitable candidates for Board appointments that are able to oversee and effectively steer the delivery of company climate strategy.</p> <hr/> <p><b>Compliance and Ethics Committee</b> Supports the Board in fulfilling its oversight responsibilities in all respects of compliance with climate-related policy and legislation.</p>	<p><b>EXECUTIVE MANAGEMENT</b></p> <p>Responsible for day-to-day operational management, communication and implementation of Group Sustainability and Energy Transition Strategies, and management of climate-related risk. Identifies and reviews matters for recommendation to the Board and its Committees. Underpinned by a number of management committees:</p>	<p><b>Group Executive Committee</b> Responsible for operational leadership, and implementation of strategic decisions and administrative matters.</p> <hr/> <p>Raises the Board's awareness of risks and opportunities of climate-related issues identified by the Sustainability and Energy Transition Steering Committees, operational management and the HSSEIA function.</p> <hr/> <p><b>Group Risk Committee</b> Reviews all standards and policies that are under consideration by the Executive Committee before being presented to the Board. Oversees the Enterprise Risk Management Framework, including the principal and emerging climate and energy transition related risks. Presents the risk dashboard to the Audit Committee on a quarterly basis which then informs the Board on an as-needed basis. Liaises closely with the other Committees.</p> <hr/> <p><b>Sustainability Steering Committee</b> Steers the development of the company's sustainability strategy; including key programmes covering climate change, net-zero, and TCFD compliance.</p> <hr/> <p>Monitors current and emerging climate and other sustainability-related risks and opportunities, and raises these through technical and strategic papers presented to Executive Management and the Board. Liaises closely with the other Committees.</p> <hr/> <p><b>Energy Transition Steering Committee</b> Steers the development of the company's ET strategy and new energies programmes.</p> <hr/> <p>Monitors current and emerging ET related risks and opportunities, and raises these through technical and strategic papers presented to Executive Management and the Board. Liaises closely with the other Committees.</p>
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# Governance of Climate-related Issues

## ROLE OF MANAGEMENT

Issues relating to climate change risk and opportunity are considered and integrated into Executive Management's area of responsibility as climate-related objectives.

Associated targets and key performance indicators are cascaded down through line management and incorporated into all staff scorecards. To ensure they are equipped with the right tools to make the best decisions for the resilience of the business, Management are informed about climate-related issues via regular periodic reports, leadership briefings, participation in various committees and working groups, and various internal communication channels and social media.

Management also maintain regular exchanges and dialogues with internal and external stakeholders to stay informed and promote a climate conscious culture.

In addition to the core HSSEIA responsibilities of all Petrofac management, the following senior leaders have specific climate-related responsibilities:

- Chief Financial Officer chairs the Group Sustainability Steering Committee and is ultimately accountable for setting the sustainability strategy
- Group Director Communications & Sustainability guides integration of sustainability throughout the Group, ensuring it enhances business performance and supports long-term growth and corporate responsibility commitments
- Head of Sustainability leads development and execution of the strategic sustainability programme.
- Head of Environment – subject matter expert and lead technical advisor on all climate-related issues

## MANAGEMENT PROCESSES FOR CLIMATE-RELATED ISSUES

Multiple resources are employed when identifying and assessing climate-related risks and opportunities, including:

- Investor briefings and meetings
- Sustainability reporting frameworks, such as CDP, SASB, and TCFD, which are used as proxies by investors who inform and endorse these frameworks
- Market screening and benchmarking
- Advocacy initiatives and other stakeholder input



*Petrofac's New Energies business COO John Pearson tries out Petrofac's Connected Worker technology at our Aberdeen Innovation Zone with Scottish energy minister Paul Wheelhouse.*

**Management maintain regular exchanges and dialogues with key stakeholders to stay informed and promote a climate conscious culture.**



# Our Targets, Goals and Strategies

## CLIMATE-RELATED SCENARIOS

Given the rapid pace of external change, we have conducted a risk and opportunity analysis based on two climate scenarios (developed by the International Energy Agency, IEA) and examined the impact of different economic, policy and societal changes on the business.

**Low Carbon Future at under 1.5 °C** (based on IEA Sustainable Development Scenario) – in this scenario the global energy sector evolves to align with the Paris Agreement and rapidly accelerates to a low-carbon economy. Technology breakthroughs significantly reducing the cost of battery storage, wind and solar power generation.

Major social movements and global policy coordination on carbon tax and emissions materially reduce fossil fuel use. Pressures on the hydrocarbon revenues of some of the world's major producers drives their efforts to increasingly diversify their economies and transition energy use towards renewables.

**High Carbon Future at more than 3 °C** (based on IEA Stated Policies Scenario) – this scenario incorporates today's policy intentions and targets. Energy demand rises by 1% per year to 2040. Low-carbon sources, led by solar PV, supply more than half of this growth, natural gas, boosted by rising trade in liquefied natural gas, accounts for another third, and oil demand flattens out in the 2030s.

Some parts of the energy sector, led by electricity, undergo rapid transformations. Some countries, notably those with net-zero aspirations, go far in reshaping all aspects of their supply and consumption.

However, the momentum behind clean energy technologies is not enough to offset the effects of an expanding global economy and growing population. The rise in emissions slows but, with no peak before 2040, the world falls short of the Paris climate goals.

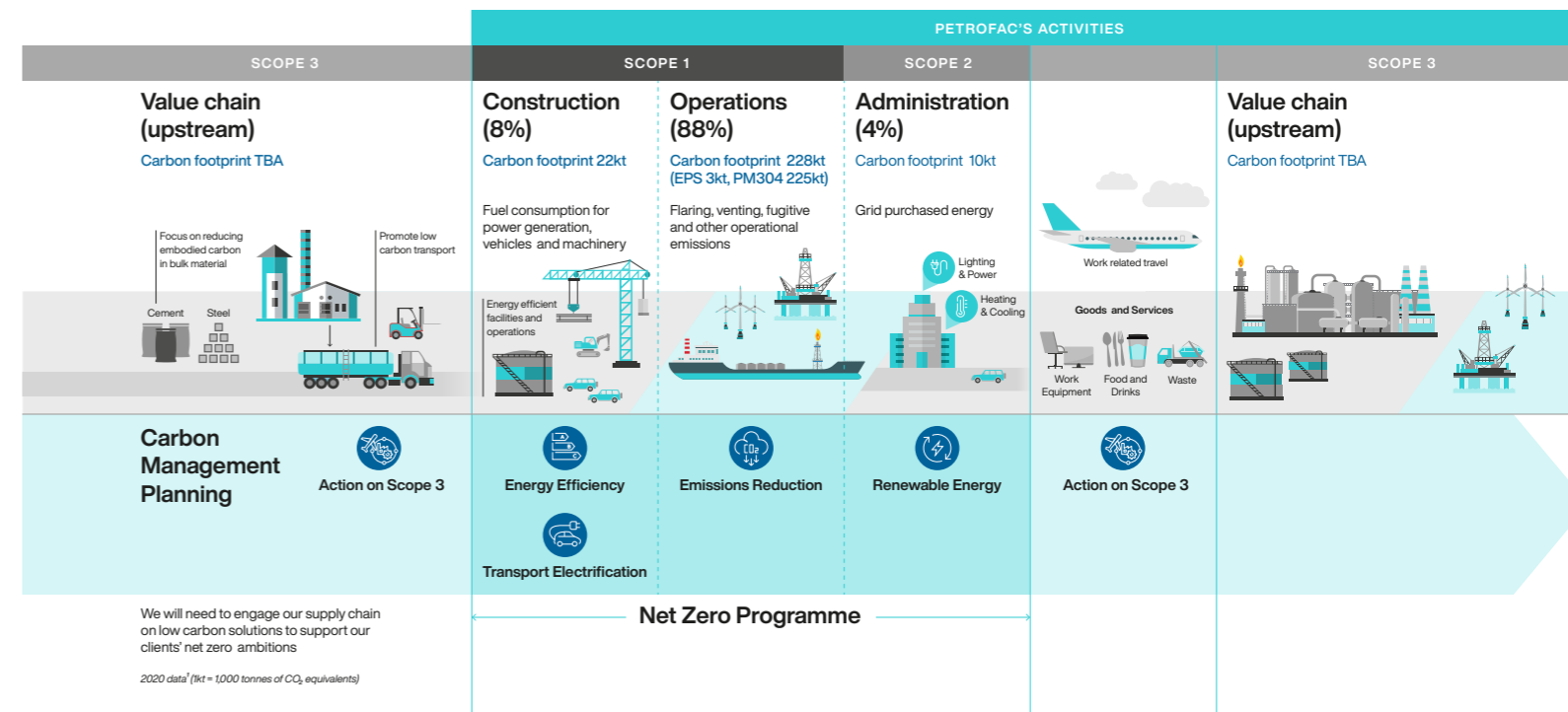
## OUR CARBON FOOTPRINT

Petrofac's total greenhouse gas (GHG) emissions comprised 260K tCO<sub>2</sub>e. The chart in figure 1 below shows the breakdown across the company's activities of scope 1 (direct emissions) and scope 2 (indirect emissions) that fall within our net-zero programme.

GHG emissions are calculated in accordance with the World Business Council GHG Protocol, with emissions expressed as tonnes CO<sub>2</sub> equivalent (tCO<sub>2</sub>e).



## Decarbonising our footprint



**Issues relating to climate change risk and opportunity are considered and integrated into Executive Management's area of responsibility as climate-related objectives.**



# Our Targets, Goals and Strategies

## STRATEGIC AMBITION AND SCOPE

Petrofac's ambition is to become a net-zero company by 2030, with our Engineering and Production Services Business Unit achieving net-zero by 2025. Targets support the principles of the Paris Climate Agreement, the UK government's net-zero goal, and are aligned with our clients' own ambitions as the sector shifts towards a low carbon economy.

The net-zero targets apply to scope 1, direct emissions from Petrofac owned or controlled sources (eg flaring, power generation for camps/facilities, vehicles, etc.) and scope 2, indirect emissions from the generation of purchased energy for leased / owned offices.

Petrofac will seek to share decarbonisation strategies and enable our value chain's low carbon ambitions. A separate programme to assess the baseline of these scope 3 emissions is required prior to any reduction targets being set. Supply chain engagement on low carbon solutions, designing for low carbon construction and operations, and targeted action to minimise single use plastics and other carbon intensive materials will be key elements of our future scope 3 emissions reduction programme.

## NET-ZERO ACTION PLAN

The path to net-zero emissions consists of two broad steps: firstly to apply clear decarbonisation levers to organically lower emissions; secondly to offset residual emissions by purchasing carbon credits.

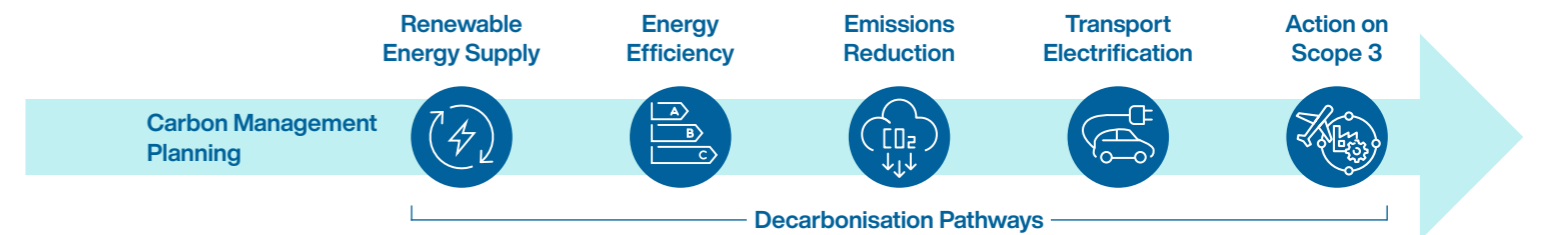
The decarbonisation levers are:

- Switching energy supply to renewable power
- Improving energy efficiency
- Reducing flaring, venting and fugitive emissions, and
- Electrification of transport.

As part of our net-zero commitment, we will also enable the low carbon ambitions of our value chain and progress a programme to address scope 3 emissions and develop reduction targets

## ADVOCACY STRATEGY

Climate change is a global challenge that requires collaboration, and industry has a key role to play in helping to support policy development and regulatory frameworks. We regularly engage with Government, policy makers, regulatory officials and other stakeholders globally in matters which are of concern to us and which contribute to overall policy development. Policy makers also often consult Petrofac in order to help gain practical understanding of the technologies and processes that can help to reduce our emissions and support the development of low carbon technologies.



	ACTIVITY	2021	2022	2023+
<b>Targets</b>	<ul style="list-style-type: none"> <li>Align GHG emissions reduction to required sector target to meet Paris Climate Agreement (ambition for 1.5 °C)</li> </ul>	3% GHGi reduction	Review feasibility of sector target	24 months to develop, set, validate target with science-based initiative
<b>Carbon Management</b>	<ul style="list-style-type: none"> <li>Carbon management team established</li> <li>Carbon management plans in place covering decarbonization pathways</li> </ul>		BU Carbon Management > Executive Management Sponsor > Repls from key functions > Net-zero programme leads > Sustainability	
<b>Renewable Energy Supply</b>	<ul style="list-style-type: none"> <li>RE review and transition plan in place targeting progressive switch to grid supplied RE (where available)</li> </ul>		Renewable energy transition	
<b>Energy Efficiency &amp; Emissions Reduction</b>	<ul style="list-style-type: none"> <li>EE/ER reviews and action plan in place (targeting energy intensive systems, flaring, venting and fugitive emissions)</li> </ul>		Project / facility energy efficiency and emission reduction plans implemented	
<b>Transport Electrification</b>	<ul style="list-style-type: none"> <li>Transportation electrification feasibility review and action plan in place</li> </ul>		Transportation electrification	
<b>Action on Scope 3 Emissions</b>	<ul style="list-style-type: none"> <li>Establish a high-level inventory of our scope 3 emissions</li> <li>Low carbon plans targeting carbon intensive parts of value chain (steel, cement, action on plastics)</li> </ul>		Assess carbon intensive materials and develop scope 3 inventory	
			Engage supply chain on low carbon solutions and strategies	



# Our Targets, Goals and Strategies

## GOVERNMENT ENGAGEMENT

Petrofac believes that substantive input from . Industry and other stakeholder organisations leads to better outcomes on policy, practice and standards. To these ends, we engage with various Government departments in a wide variety of ways including:

- Regular updates to BEIS and DIT on our Energy Transition Strategy and technology development, providing input on policies to help inform their thinking on policy issues;
- We are seconding an employee one day a week to a BEIS working group set up by the Minister, to develop and maximise the CCUS (Carbon Capture Utilisation & Storage) supply chain in the UK and to realise its export potential
- We contribute directly to BEIS consultations such as the recent call for evidence on the CCUS business models and on the use of GHG removal technologies;
- Petrofac are represented on a number of BEIS working groups ie BEIS Technical Expert Group for CCUS business models. We also attend Industry roundtables;

- We have hosted delegations from BEIS, DIT and Industry Stakeholders to our Digital centre in Aberdeen demonstrating our progress in adopting digital technology which plays a role in supporting the Energy Transition;
- Our VP Digital is a member of the OGA (Oil & Gas Authority) Technology Leadership Board and its Digital Working Group which is focused on leveraging technology including its role in enabling the Energy Transition

## INDUSTRY ASSOCIATIONS AND STAKEHOLDER ENGAGEMENT

Petrofac also demonstrates the seriousness of its business approach to low carbon by engaging with the broader industry on key issues. Some of our key memberships include Industry Trade Bodies such as Oil and Gas UK, Renewable UK and the Energy Industries Council (EIC) and organisations specific to the new low carbon technologies such as Global CCUS, Wind Europe, NECCUS and the Hydrogen Fuel Cell Association and Hydrogen Strategy Now campaign.

Examples of our engagement include;

- Providing a supply chain perspective to Oil and Gas UK on the recently announced North Sea Transition Deal, which outlines how the UK oil and gas industry can move quickly towards a lower carbon future whilst supporting the economy, jobs, and energy communities across the UK;
- Being an active UK Board member and supply chain representative on the World Petroleum Council, which advocates for the need for the industry to pivot towards the Energy Transition; and
- Participating as a Board member on the Energy and Climate Change Board at the CBI, which sets the agenda on climate and energy issues and works to influence Government policy on moving urgently towards a low carbon future



**We are committed to collaboration and engaging with governments and other stakeholders to support development of an effective low carbon policy framework.**

## INVESTOR ENGAGEMENT

We regularly engage with institutional shareholders, primarily in the UK, Europe, US and Canada. Climate-related issues discussed with investors included the net-zero target for 2030 and the steps that will be taken to achieve this. In addition to discussing Petrofac's approach to achieving its targets, these meetings are also an opportunity to better understand what our investor's expectations are and their preferences regarding disclosure.

Investors were also interested to understand what opportunities the energy transition presented to Petrofac and how it might play a significant role. While Petrofac's extensive track record in offshore wind is increasingly well understood by the market, investors are particularly interested to learn how the Company is able to leverage its expertise in other key markets such as CCUS and blue and green hydrogen.

## PETROFAC AND THE JUST TRANSITION

The UK Government has made a commitment to support the North Sea Oil and Gas Industry to ensure there is a 'Just' and fair transition to net-zero, where no one from the Industry is left behind. Aligned with this, the Government wants to draw on and utilize the existing expertise of the oil and gas sector to develop carbon capture and hydrogen production projects and other new technologies.

To achieve its own ambition of reaching net-zero emissions in Scope 1 and Scope 2 by 2030, Petrofac recognizes that parts of our workforce will need to have a different set of skills and capabilities. Petrofac has set up an internal Taskforce to create the right climate across our workforce, to ensure it has the right skills and capabilities to achieve net-zero. One of the strategic objectives is to undertake a Competency mapping exercise, to understand what transferable skills we already have in Petrofac and what skills will be required to support the Transition and ensure alignment with Government and Industry initiatives



# Moving Ambition to Action and Delivery

## ENERGY SUPPLY CHANGES

Purchased energy emissions comprise 4% of our total carbon footprint. Our target is to transition to progressively transition to 20% renewable energy. We estimate this will deliver a 2% contribution to our net-zero ambition 2030.

Decarbonising opportunities exist by switching to renewable energy through grid supply. The majority of our UK offices and facilities have already switched and a transition plan is in place for the remaining UK offices, commencing 2021. Renewable energy is more limited in some of our geographies, consequently each part of the business will undertake a review of accessible grid supplied renewable power and develop a transition plan to switch when available and cost-effective to do so.

## ENERGY EFFICIENCY

Emissions from power generation account for 9% of our current total carbon footprint. We are targeting a 30% consumption saving by 2030 from energy efficiency and hybrid power generation initiatives.

We are reviewing the operation of our site facilities and offices to identify opportunities to utilise energy more efficiently and install renewable energy generation.

The majority of our UK offices have undertaken Energy Savings Opportunity Scheme (ESOS) assessments, and improvement opportunities have been identified. This programme of energy management reviews will be extended across the Group to identify and implement energy saving opportunities.

Furthermore, to ensure energy efficiency is built into the design, construction and operation of our facilities, a Group energy standard will be developed and implemented.

## EMISSIONS REDUCTION

Emissions from flaring, venting, fugitives and fuel gas account for 81% of our total carbon footprint. Our aim is to deliver a 25% reduction in emissions by 2030 through operational improvements, gas shut-off and power generation changes.

Planned decarbonisation improvements include; streamlined operational and maintenance processes, maintenance and reliability reviews focusing on critical spare levels, systems optimisation and an overhaul of key operational and maintenance procedures.

Operational optimisation will be aided by our data analytics tool Petrolytics, which provides enhanced visibility of energy usage and associated emissions, enabling reduction mitigations.

Gas management initiatives also being progressed, include switching to fuel gas for power generation on some of our operating facilities to reduce diesel consumption and flaring, and a programme to tackle action on methane through adoption of the Climate and Clean Air Coalition's Methane Guiding Principles.

## TRANSPORTATION ELECTRIFICATION

Emissions from transportation account for 6% of our total carbon footprint, split evenly between vessels and road transport. We are targeting a 30% reduction in emissions by 2030, by improving operational efficiency, adopting energy efficient specifications for our vehicle fleets and progressively switching to lower carbon forms of transportation, including phasing in of hybrid and electric vehicles (EV).

Opportunities to electrify are contingent on both the growth of accessible local EV infrastructure and locally available leased EVs. Transition plans will be put in place in each part of the business to promote transport electrification.



**Petrofac's petrolytics digital tool brings carbon into the operational decision making process.**



# Moving Ambition to Action and Delivery

## DELIVERING LOW CARBON PROJECTS

As part of our broader net-zero programme, we have also committed to enabling the lower carbon ambitions of our value chain, our scope 3 emissions. This is wide in scale and complexity, from engaging our supply chain on low carbon steel and cement, to reducing plastics, business travel and employee commuting. A programme is underway to scope a high-level inventory of our scope 3 emissions against which a baseline will be calculated and low carbon strategies developed and deployed across the business.

Initiatives underway include; low carbon engineering, embedded artificial intelligence and machine learning within our engineering tools to reduce cost and carbon footprint, and optimise engineering deliverables; and emissions reduction consultancy - a downstream integrated solution service building off our Petrolytics tool, providing clients with predictive analytics to better manage carbon footprint drivers of new and existing assets.

## PIVOTING TOWARDS THE ENERGY TRANSITION

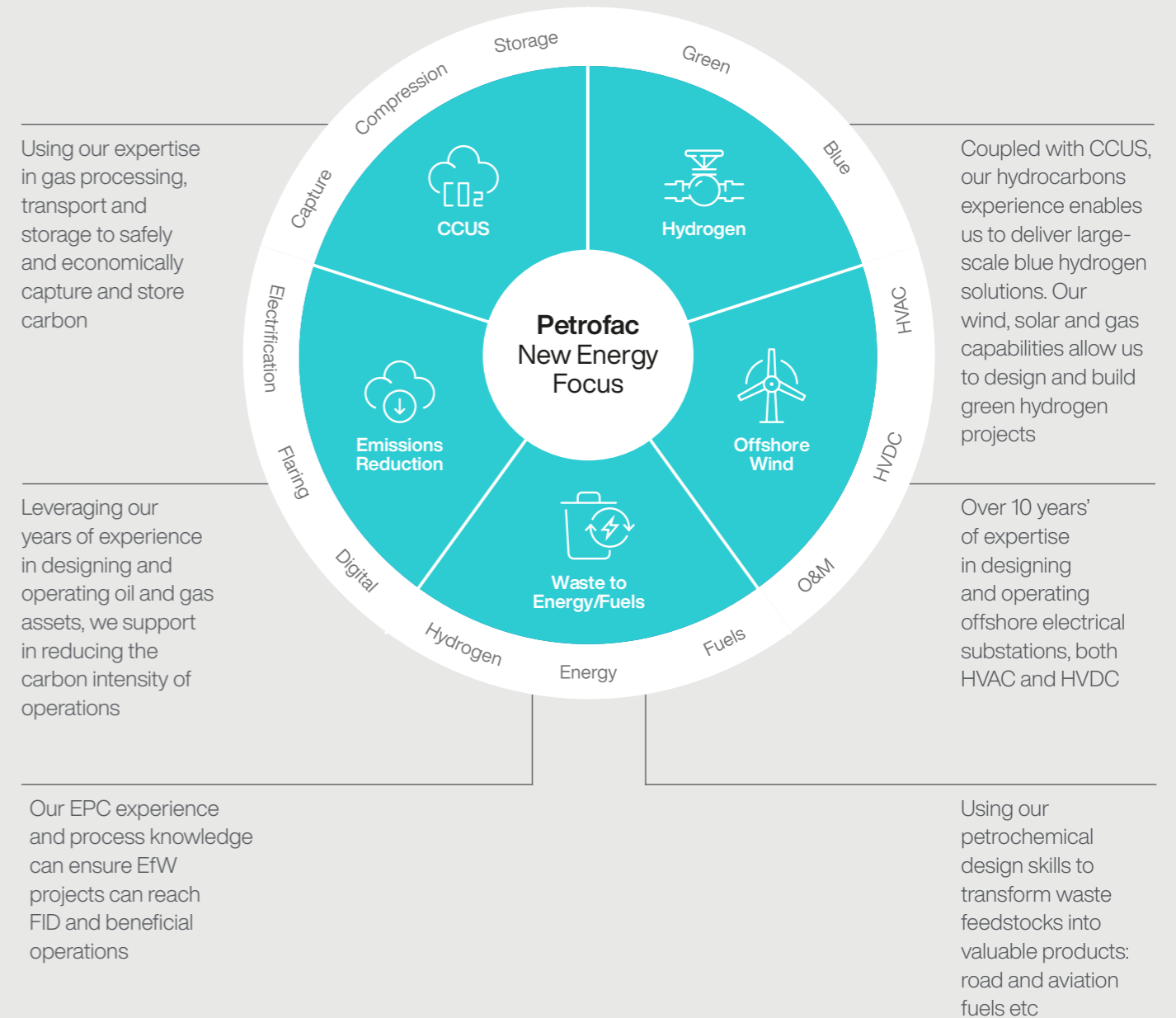
In 2020, we reviewed the renewables and low carbon sectors in depth to identify where our technical expertise and delivery experience would be the most valuable to clients in the new energy sectors. Aligning our experience in high voltage systems, offshore platforms, gas processing, clean fuels and grey hydrogen to where clients need our ability to integrate and manage risk around large complex capital project delivery. As a result, we will focus our efforts on Offshore Wind, Carbon Capture Utilization and Storage (CCUS), Hydrogen, Waste-to-Value and Emissions Reduction.

We are already advancing our New Energies service offering; for example we are executing the EPC for the Seagreen HVAC transformer platform in the UK, and engineering is underway for Infinite Blue Energy's Arrowsmith Green Hydrogen project, currently Australia's largest, and the FEED for Greenergy's Advanced UK Biofuels project.

We are also supporting Pale Blue Dot Energy as their Project Management Consultant on the Acorn CCUS & Blue Hydrogen project in Scotland and have an MoU with their parent company, Storegga Geotechnologies to support them in their future growth plans. We look forward to seeing our offering in this sector develop and support the growth and diversification of our business in the medium term and in doing so help to deliver the Energy Transition



## Advancing in the Energy Transition



# Climate Change Risks and Opportunities

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

Our risk management framework provides us with a consistent approach to identify, manage and oversee the risks that may impact our business. Effective risk analysis and response underpin our ability to achieve our objectives and assess opportunities as our business evolves.

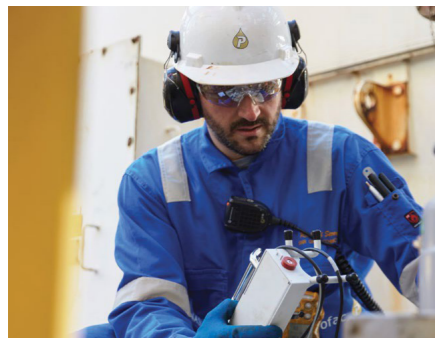
During 2020, we built on our existing risk management framework, incorporating the TCFD recommendations for assessing climate-related risks; reviewing: (I) risks and opportunities related to the transition to a lower-carbon economy and (II) risks and opportunities related to the physical impacts of climate change.

Risk and opportunity meetings were held with the key functional teams below, to compile a risk assessment matrix, focusing on the following outputs:

- Identifying material impacts and opportunities (transition and physical)
- Assessing financial implications (qualitative assessment of range)
- recommending actions for risk management and opportunity capture

Risks were viewed over both short term (0-3 years) and long term (4-10+ years) time horizons. 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

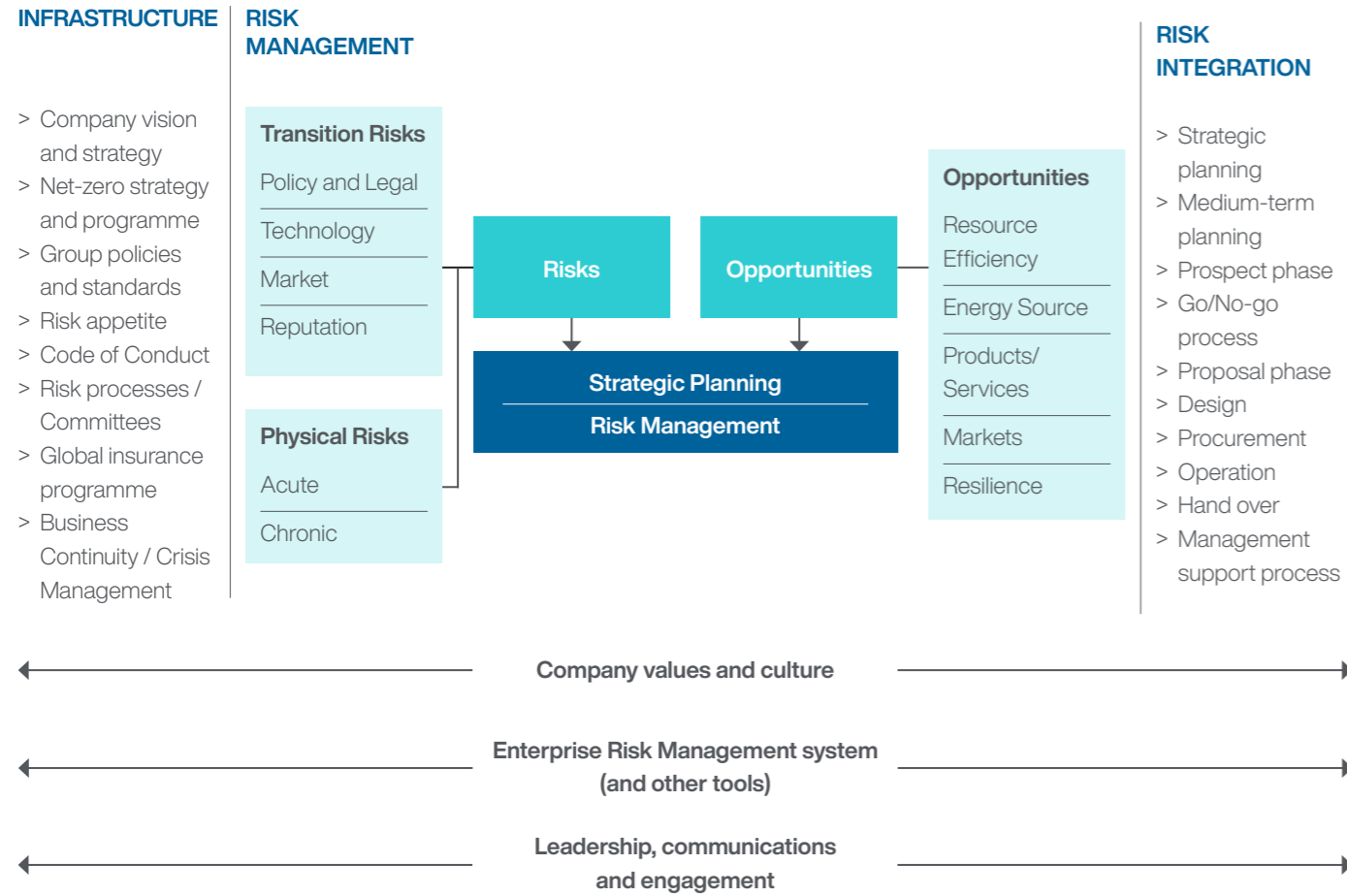


FUNCTIONAL TEAM	REVIEW FOCUS AREA
Risk, Finance & Tax	Markets, Products & Services – impacts on access to, and cost of capital, potential impacts of a carbon tax, opportunities to access green finance or ESG financial instruments.  Physical risks – impact on availability and cost of insurance.
Strategy & Business Development	Markets, Products & Services – shifts in supply and demand for energy services.  Technology – risks and opportunities of a low-carbon economy.
Communications & 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.
Government Relations	Current & Emerging Regulations – transition risks and opportunities of the evolving climate response policy landscape.
Supply Chain	Market – shifts in the availability, vulnerability and cost of critical commodities and services.
Project HSSEIA Operations	Physical risk – acute and chronic risks to people, assets, and project operations.  Current & Emerging Regulations – transition risks of evolving policy landscape and impact on operating costs, access to licences, etc.  Resource efficiency – availability, vulnerability and cost of critical commodities and services, as well as operability and efficiency opportunities within the energy transition.
Legal	Legal -climate-related litigation and enforcement action risks.



# Climate Change Risks and Opportunities

## Risk Management Framework



RISK DRIVER	RISK	TIME HORIZON	FINANCIAL IMPACT	LIKELIHOOD	RISK MANAGEMENT
<b>Policy</b> – current and emerging government climate policies and regulations	Decreased investment in oil & gas due to higher operational costs (carbon taxes and levies), reduced licences or policy shifts	Long term	Material	Probable	Government consultation and advocacy strategy that supports appropriate climate action and policies that deliver the goals of the Paris Agreement while providing stability for business.  Close monitoring of the policy landscape in core geographies to ensure business preparedness, including de-risking asset financial assumptions against potential policy shifts.
<b>Legal</b> – climate change litigation, regulatory enforcement and other legal action	Claims against corporate entities alleging their emissions have caused climate impacts and environmental harm	Long term	Material	Possible	Advance net-zero programme to decarbonise operations and ensure transparent emissions disclosures.  Operational optimisation and upgrading of assets to reduce carbon footprint and improve environmental performance.
<b>Market</b> – transition to low carbon economy	Loss of market share and erosion of backlog	Long term	Major	Possible	A New Energy Services NES business line created to build capability to advance the company's position within the energy transition and target a greater market share of non-O&G projects.
<b>Reputation</b> – deteriorating stakeholder sentiments to fossil fuels	Increasing ESG focused investors may allocate capital away from oil & gas sector, increased negative screening and higher cost of capital	Short term	Major	Probable	Cogent ESG strategy focused on material issues, supported by proactive stakeholder engagement.  Executive remuneration linked to ESG performance and programme delivery.
<b>Physical</b> – increased severity and frequency of extreme weather events	Increased accident risk (people/assets), operational / supply chain disruption and insurance costs	Long term	Minor	Probable	Strengthen asset integrity, operational / supply chain resilience and emergency response.  Provide transparency to stakeholders (incl. insurers) of our management of climate risk to enable more accurate underwriting, pricing, and investment decisions.

# Climate Change Risks and Opportunities

OPPORTUNITY DRIVER	OPPORTUNITY	TIME HORIZON	FINANCIAL IMPACT	LIKELIHOOD	RISK MANAGEMENT
Markets – new energy markets	Deliver sustainable material growth and increased market share through the energy transition.	Long term	Major	Probable	Advance New Energies strategy to target renewables and low carbon sectors where Petrofac's technical expertise and delivery experience provide a differentiated offering (Offshore Wind, CCUS, H2, Waste-to-Value and Emissions Reduction).
Products & services – growth of low carbon economy	Increased demand for low carbon solutions and services	Short term	Material	Probable	Expand low carbon engineering and construction service offering, emissions reduction consultancy and deployment of digital analytical tools.
Products & services – growth of renewable energy sector	R&D and low carbon public/private innovation partnership opportunities	Short term	Material	Probable	Further development of digital technology centre and access to partnership opportunities for sector collaboration and innovation funding.
Resilience – adaptive capacity to respond to climate change	Adopt climate leadership, align with, and support our clients' low carbon ambitions and enhance sustainable future growth.	Long term	Major	Probable	Advance Petrofac's net-zero strategy across five decarbonisation pathways: Switch to renewable power; enhance energy efficiencies across our projects and operations; reduce flaring, venting and fugitive emissions; electrify transportation; and action on scope 3 emissions by promoting a low carbon value chain .

## MOVING FORWARD

This first climate report outlines the commitment we have made to be a net-zero business; our strategy, targets and plan to decarbonize; and the steps we are taking to advance our New Energies service offering and capture opportunities arising from the energy transition.

We aim to continue to drive innovation and improvement, collaborate with our value chain and transparently report on both our achievements and lessons learned.

## RISING TO THE DUAL CHALLENGE

The world is changing fast, and so are society's expectations of us. Sustainability is the lens through which our business is being increasingly judged by our stakeholders as we strive to meet the dual challenge of producing more energy in cleaner, better ways.

At Petrofac we're not daunted by this challenge. In fact, we see the opportunities it presents for both ourselves and our clients. Everyone in the company has a role to play as we commit to moving our ambition into action and delivery over the coming years.

Our operational excellence and desire to accelerate the pace of change enhances our commercial success. Expansion into different energy sources and markets makes us stronger and more relevant, and positions us for growth and enhances returns.



**We aim to continue to drive innovation and improvement, collaborate with our value chain and transparently report on both our achievements and lessons learned.**



# Leading change and delivering net-zero



**We are taking ownership of carbon and accountable for delivering reductions**

**Driving increases in operational efficiency and promoting low carbon solutions**

**Setting ambitious low carbon goals and implementing decarbonisation initiatives on our projects and operations**

**Leading change by embracing new ways of working and embedding sustainability into our DNA**

COMMITTED TO

**#NETZERO**

BY 2030

## CLIMATE-RELATED STANDARDS

Information in this report is aligned to the United Nations Global Compact Communication on Progress and the GRI sustainability reporting requirements. Petrofac also supports and participates in the following climate-related standards, voluntary initiatives, and public commitments:



Ranked top 10% energy services sector

Top 3 in sector

B Score

Reporting prepared to GRI comprehensive-level reporting standard

We support



Reporting aligned to SASB

Climate response programme aligned to UN SDG 13



Reporting prepared in accordance with requirements

COMMITTED TO

**#NETZERO**

BY 2030