



SUSTAINABILITY REPORT 2020



MCDERMOTT

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OUR JOURNEY



Dear McDermott shareholders and stakeholders,

The world's rapidly growing population depends upon extensive, safe, clean and efficient energy. This is what we enable at McDermott International. Our engineering, procurement, construction, and installation capabilities enhance the sustainability of our customers' energy operations and support our growing energy transition portfolio.

These are important contributions to the billions of people who need reliable and affordable energy to survive and to future generations who depend on our custodianship of the planet for their own survival and success.

Sustainability for us is a journey of continuous improvement. Ours is a journey of advancing the needs of a low-carbon global economy. It is a journey of evolving partnerships with our people and communities while continuously improving our measurement and disclosures.

Recent business awards reflect the increasing demand for McDermott solutions that enable our customers to reduce their carbon footprint and achieve their sustainability targets. And our evolving practices reflect our commitment to be a responsible company and member of the supply chain.



ABOUT MCDERMOTT

McDermott International is a global engineering and construction company headquartered in Houston and operating in more than 54 countries. We provide engineering, procurement, construction and installation (EPCI) infrastructure solutions that enable our customers to deliver the world's energy responsibly.

What makes us different is our blend of locally focused and globally integrated resources. By using a modularized construction process delivered through fabrication facilities in key geographic locations, we are able to maintain a strong market presence, employ a more stable workforce and operate more efficiently and sustainably. We also operate a diversified fleet of specialty marine construction vessels capable of delivering massive offshore projects.

Our more than 27,000 employees include professionals and craft workers located in offices, logistics sites and fabrication yards and on vessels and client project sites around the world. In 2020, we were active in more than 25 countries. Our largest operations were located along the Texas/Louisiana coast in the United States, and in Mexico, Saudi Arabia, India, and Indonesia. A substantial joint venture project in Mozambique was also active during 2020. A full list of our locations and projects is on the Where We Work section of our website.

We are fortunate that many of our core areas of expertise—the services that make us economically viable and financially sustainable—promote environmental sustainability and community well-being.

This report advances our journey by discussing where we are now and articulating our aspirations through tangible targets. We remain committed to communication and reporting going forward.

I applaud those throughout McDermott who have brought us this far and are committed to progressing our performance in Sustainability, Energy Transition, and Governance. Together, we are making a difference.

Lee A. McIntire

President & Chief Executive Officer
McDermott International, Ltd

SUSTAINABLE SOLUTIONS

Develop sustainable solutions that support the Energy Transition



- Develop sustainable and renewable energy services to diversify McDermott’s portfolio in the Energy Transition
- Create and consistently implement a socially responsible operating model that includes both environmental and social risk and impact management
- Develop and market a sustainable project design and delivery process that accounts for lifecycle management, construction execution impact reduction (including modularization), and integration of more sustainable technologies and energy sources
- Invest in R&D, external partnerships, and/or ventures to develop sustainable solutions
- Contribute at least 50 solutions to reduce environmental and social impact in our industry
- Increase executive, employee, and stakeholder engagement in sustainability

2025: Significantly reduce the carbon footprint of the facilities we design and build for customers

2030: 35% reduction in carbon footprint across 10 key supply chain categories

Goals

In 2019, McDermott further expanded its customer partnerships through delivery of more sustainable solutions and strengthening its sustainability commitments. This included implementation of systems that support achievement of specific sustainability goals and measurable targets—not just compliance-focused social and environmental management systems. We established four Sustainability Goals, based on materiality, alignment with international standards, and business objectives to guide our activities and future focus. In support of these goals, we set objectives for the short, medium, and long-term that include energy and emissions, waste, community investment, diversity and inclusion, and other elements.

SUSTAINABLE ECONOMIC GROWTH

Contribute to sustainable economic growth



- Build the capacity of people and communities to participate in productive activities, such as employment, entrepreneurship, innovation and technology, and growth of micro, small, and diverse businesses
- Respect Indigenous rights and the inclusion of vulnerable and underrepresented groups in our policies and operations
- Conduct business ethically, in accordance with our Code of Business Conduct

2023: Local content is considered excellent at 75% of our large projects

2023: Signature social investment programs are implemented at 80% of our large projects

Targets

In 2020, we worked collaboratively across our operations and leadership to establish baseline measures and develop specific, actionable targets to fully define our sustainability program.

ENVIRONMENTAL FOOTPRINT

Reduce our operational environmental footprint and improve resource efficiency



- Reduce waste generation from our project sites, vessels, and facilities and improve waste management from generation to end use / disposal
- Reduce energy use and emissions at our project sites, vessels, and facilities
- Improve water stewardship, including the use, reuse, conservation, pollution prevention, protection, and improvement of freshwater and marine ecosystems
- Innovate marine and coastal ecosystem preservation and impact mitigation measures in subsea and offshore work
- Support the conservation, restoration, and sustainable use of land

2025: Zero office waste-to-landfill

2030: 50% reduction in waste generation

2030: 50% reduction in Scope 1 & 2 GHG emissions

COMMUNITY & WORKPLACE WELLBEING

Promote well-being in our workplaces and communities



- Protect people by continuously improving occupational health and safety programs
- Improve human rights and working conditions in our direct operations and supply chain
- Invest strategically in community health and safety partnerships and manage impacts on local infrastructure and services
- Develop resiliency, mental health, and substance abuse prevention and response programs that address high risk environments

2023: 75% of projects have social responsibility programs

2023: 100% participation in human rights due diligence



WE HAVE MADE SUSTAINABILITY PART OF OUR CORE BUSINESS STRATEGY AND INTEGRATED IT THROUGH A GOVERNANCE SYSTEM THAT EXTENDS ACROSS THE ORGANIZATION.

SUSTAINABILITY GOVERNANCE

Board of Directors and Executive Steering Committee

- Led by CEO with participation from key executive members and a diverse group of four junior professionals
- Provides direction for McDermott’s sustainability vision and long-term strategy

Sustainability Team

- Led by SVP, Strategy, Risk & Sustainability and a small team of dedicated sustainability professionals
- Collaborates across functions and business units to prioritize actions and deliver sustainable solutions for our stakeholders

Sustainability Leadership Network

- Functional and business unit representatives that support integration and alignment with sustainability goals
- Share feedback on the needs, objectives, and progress in the business

Sustainability Community of Practice

- A network of subject-matter experts, working groups and employee resource groups that further integrate sustainability throughout our organization
- Project and site-level contributors to sustainability actions

During 2020, we also strengthened our energy transition governance by establishing energy transition champions

to lead cross-functional (technical and commercial) working groups and advance McDermott’s strategic plans for hydrogen, offshore wind, carbon capture and storage, and net zero energy facilities.

Six sustainability working groups were active in 2020: Hydrogen, CCUS, Offshore Wind, Circular Economy, Net Zero Facilities, and Human Rights.

Internal Engagement

We have focused on engaging employees in our sustainability journey, with measurable success around the world.

- **Five Sustainability Employee Resource Groups (ERGs) were active in 2020.** Two (at our offices in The Hague, Netherlands, and in Brno, Czech Republic) had been established in 2019, and three were launched during 2020 in the UK, the Middle East, and the United States. These ERGs have promoted new ideas and innovation in sustainability,

ranging from waste reduction in offices and operations to launching new working groups and driving forward specific sustainable project opportunities.

- **Our sustainability training program** was launched to promote the business case for sustainability and build awareness on McDermott sustainability goals, with over 120 participants in the first sessions in fall 2020.
- In total, **1,416 employees** participated and trained in various sustainability and social responsibility topics during 2020.
- **A year-end virtual Sustainability Summit brought 378 employees together** for a live session presenting 2020 progress on our sustainability goals.



IN TOTAL, 1,416 EMPLOYEES PARTICIPATED AND TRAINED IN VARIOUS SUSTAINABILITY AND SOCIAL RESPONSIBILITY TOPICS DURING 2020.

MCDERMOTT

We proudly **create and deliver** complete, **innovative solutions** as the **trusted global partner**, enabling our customers to **maximize the potential** of natural resources.

Management Approach

Wherever we operate around the globe, McDermott's actions and decisions are guided by a single global management system, called unifi. Our management of environmental, social and governance matters comes under the same system of global policies and processes. And the One McDermott Way is the way we execute projects with full commitment to the highest standards of safety, quality and ethics.

The principles that empower One McDermott Way are embodied in our five values: Integrity, One Team, Go Beyond, Well-being, and Commitment.

Key policies and processes that impact ESG management include:

- McDermott's **Social Responsibility Policy** outlines our commitment to respecting people, the environment, and communities in our global operations.

- McDermott's Environmental Management System conforms with ISO 14001:2015 and addresses the environmental aspects, impacts, and risks associated with our direct operations and compliance with jurisdictional requirements. It is ISO certified in specific locations.
- The Quality, Health, Safety, Environment, and Security (QHSES) Policy includes our commitment to regulatory compliance and continuous improvement. The QHSES Management System provides robust processes and guidance to promote safe and healthy work practices, as well as environmental responsibility in our operations. Specific locations have been certified per ISO 9001:2015 (Quality Management System) and ISO 45001:2018 (Health & Safety Management System).
- Our **Code of Business Conduct**, updated in 2020, governs our business dealings.

- Our Ethics Helpline provides an anonymous channel for anyone within or outside the organization to ask a question or express a concern about any McDermott issue, or report a possible violation of laws, regulations, or our Code of Business Conduct.
- McDermott's **Modern Slavery Statement** outlines our commitment to respecting labor rights wherever we operate and conducting associated due diligence.
- In addition to these global processes, site-specific plans and procedures address local risks, regulation, cultural norms, and other factors. As a global company, we seek to balance global standards with local needs to ensure our sites conduct their work responsibly while also responding appropriately to local challenges and opportunities.

INTEGRITY

WE MAINTAIN A FIRM ADHERENCE TO LEGAL AND ETHICAL CONDUCT

ONE TEAM

WE ARE ONE COMPANY, WHERE EVERYONE IS EQUALLY IMPORTANT

GO BEYOND

WE SEEK COURAGEOUS AND CREATIVE SOLUTIONS

WELL-BEING

WE PROMOTE ALL FORMS OF WELL-BEING

COMMITMENT

WE ARE RELIABLE AND DEPENDABLE IN DELIVERING QUALITY SOLUTIONS



SUSTAINABLE SOLUTIONS

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McDermott is committed to being part of the solution to help reduce greenhouse gas emissions that contribute to global warming. We believe the greatest impact we can have in this area is through the technologies, services, and management processes we provide to support our clients in the transition to lower-carbon energy.

Our goal is to develop sustainable solutions that support the Energy Transition. Our efforts under this goal focus on:

- Innovation & Digitalization
- Energy Transition Services
- Sustainable Engineering

INNOVATION exchange

DIGITALIZATION

In 2020, McDermott brought functional and operational experts together to form a Digital & Analytics group to advance our strategic technology roadmap and manage our global portfolio of digital and related innovation initiatives. We see these initiatives as key elements of the accelerating energy transition.

As we digitalize processes to develop solutions that improve project safety, certainty and profitability as well as sustainability, we are also working to build a “digital culture,” a shift in thinking from traditional engineering solutions to solutions that emerge from digital technologies such as artificial intelligence and machine learning.

Flagship initiatives in the digital and analytics arena include the GeminiXD digital twin and SubseaXD collaborative platform, which create opportunities both for us and for our customers to improve energy efficiency and capture carbon footprint data.

INNOVATION

Recognizing that every employee brings unique experiences and expertise that can contribute to innovative solutions, we created a Global Idea Sharing Platform to harness this potential for a stronger, faster response to industrial, market, or environmental challenges. **Of the 550 ideas submitted during 2020, seventeen related directly to sustainability.**

We also hosted challenges on the platform to draw out innovative sustainability ideas.

Our Employees:

Drive Digital Culture

Feel Empowered To Innovate

Lead Our Digital Transformation

One was McDermott’s first ever Energy Transition Hackathon, designed to spur innovation on sustainable solutions to safely and responsibly meet the energy needs of today and tomorrow. **More than 400 employees participated in the live event, with over 1,500 participating in the voting process.** Two teams tied for first place: the India team for their “Waste to Chemicals” circular economy innovation, and a US-based team focused on hydrogen storage.

University Engagement

IN 2020, KMIR ENGAGED WITH 13 UNIVERSITIES, INCLUDING TU DELFT, BRNO UNIVERSITY OF TECHNOLOGY, UNIVERSITY OF STRATHCLYDE, THE UNIVERSITY OF HOUSTON, AND QATAR UNIVERSITY.

McDermott partners with universities and other entities to inspire and support development of sustainable solutions. Academic partnerships are a pillar of McDermott’s Centre for Knowledge Management, Innovation, and Research (KMIR).

LOW CARBON DELIVERY

- Sustainable Engineering
- Smart Modularization
- Renewable or Hybrid Energy Integration
- Energy Efficiency
- Embodied Carbon Reduction
- Carbon footprint measurement, monitoring, and digital solutions

NEW ENERGY PROJECTS

- Offshore Wind: HVDC, HVAC, OSS and Floating
- Green and Blue Hydrogen
- Carbon Capture, Utilization, & Storage
- Net Power
- Energy Storage (Liquids, Gases, CAES)

CIRCULAR ECONOMY

- Waste to Chemicals
- Waste to Energy & Biofuels
- Plastics Lifecycle
- Waste Management Studies
- Lifecycle Impact Assessments

SUSTAINABLE SOLUTIONS

Two projects in 2020 with TU Delft, the oldest and largest Dutch public technological university, were especially notable.

In the 2020 TU Delft Sustainability Challenge, teams of students competed to deliver “innovative, sustainable and cost-effective solutions for McDermott’s existing and future offshore installations.”

Two interdisciplinary teams each worked with a supervisor from McDermott to develop and present a commercially viable concept. The winning solution focused on how wave energy could be harnessed to power an offshore installation.

We also sponsored the TU Delft Hyperloop student team, one of several groups around the world working to develop a

climate-neutral, scalable Hyperloop system, a mode of transportation that could reach speeds over 1000 km/h in a near-vacuum underground tube. The team broke the current Delft Hyperloop record with an open-air speed of 360 km/h.

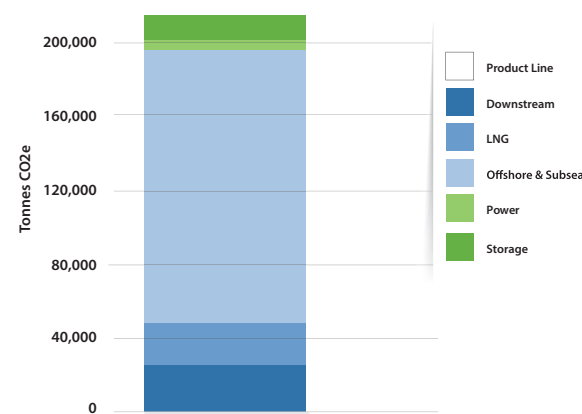
ENERGY TRANSITION SERVICES

McDermott’s energy transition strategy is centered on three pillars: low carbon delivery, new energy projects and the circular economy.

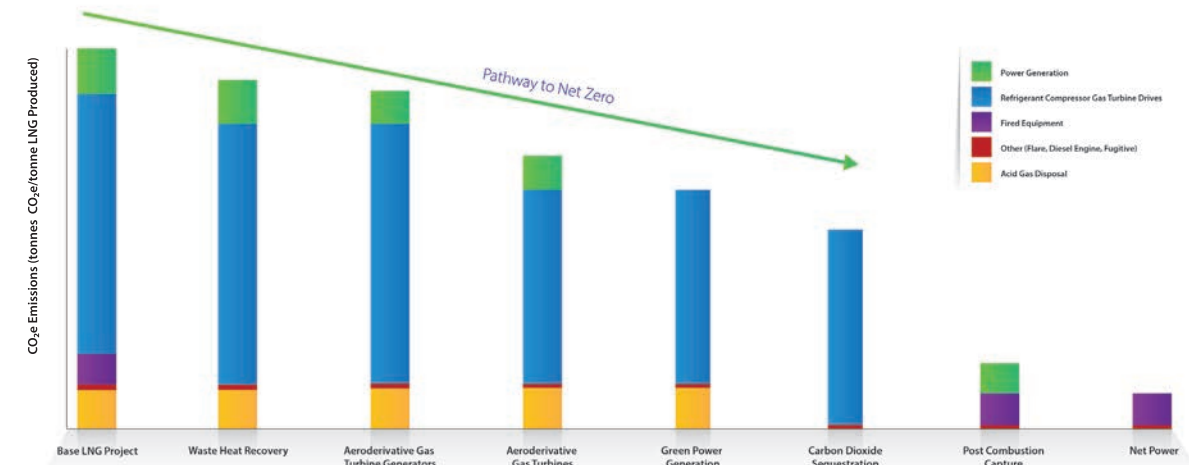
Low Carbon Delivery

Building on our existing expertise, in 2020 we set a goal of leading the industry in low carbon delivery. For McDermott, low carbon delivery means integrating low carbon technologies and processes into engineering, procurement, construction, and installation (EPCI) of our projects. This encompasses both sustainable engineering for our customers’ operations and meaning fully reducing the footprint of our own fabrication, marine, and construction activities, not by outsourcing emissions from McDermott to a subcontractor or third party location but by reducing the carbon footprint of the EPCI project as a whole.

EPCI PROJECT GHG EMISSIONS BY PRODUCT LINE



MCDERMOTT Pathway to Net Zero LNG Facilities



To do that, we developed a phased approach to addressing our project carbon footprint that includes:

- Tracking emissions at the different locations involved in a project, such as a vessel, fabrication yard, and construction site, and allocating those emissions to specific EPCI projects.
- Incorporating Scope 3 emissions such as freight logistics, third party fabrication yards, and contracted vessels as part of our 2025 target to engage 50 suppliers in sustainability programs. This effort kicked off in 2020 and will continue to expand in 2021 with mapping of our supply chain emissions and setting up our supply chain reporting framework.
- Integrating emissions estimates and tradeoffs for embedded carbon, construction, and operations in the engineering processes early on (2021 focus).
- As we advance our knowledge, we intend to broaden our impact by sharing our findings and solutions with others.

While this is a new initiative, we took significant steps in 2020, including studies conducted both for customers and for our own body of knowledge.



We partnered with io consulting (a joint venture of McDermott and Baker Hughes) and Schneider Electric on a net zero offshore upstream facility study.

The “Facility of the Future” study goal was to apply sustainable engineering to develop the cleanest engineered solution, including designing from a lifecycle standpoint. In addition to providing solutions for net zero platform operations, the study examined what a low carbon EPCI would look like and how the supply chain can be leveraged to lower emissions in the CAPEX phase.

We also undertook a study of potential pathways to a Net Zero concept for operating an LNG Liquefaction facility,

so that we can identify options for customers to reduce the carbon footprint of LNG projects. The study conducted by our low carbon LNG experts looked at the operation and life of an LNG liquefaction facility including a review of past LNG liquefaction projects and an assessment of available and near future technologies.





SUSTAINABLE SOLUTIONS

We developed a standardized methodology for calculating the operating emissions of an LNG liquefaction facility using metric tonnes of CO₂e emitted per tonne of LNG produced, and we are now developing a carbon monitoring and management strategy.

Net Zero Construction

Leveraging our work in low carbon EPC, we began a first-of-its-kind net zero LNG facility construction study for a large oil and gas company. This study includes focus on the supply chain, embedded carbon, fabrication strategy and construction emissions for LNG liquefaction projects. The effort has developed a narrative (with quantification) on the pathways from the business-as-usual case to net zero construction.

Innovating Low-Carbon Modularization

The desire to contribute to climate solutions motivated McDermott's Masterclass Team, a cross-functional group participating in the European Institute for Industrial Leadership program, to focus on comparing the carbon footprint impact of modularized fabrication and installation versus stick-built construction of the same facility. The project involved

multiple functions and was split between The Hague and Brno offices. The team created a digital tool to estimate the high-level carbon footprint of each case and identify which execution method yielded the lower footprint. The results from this calculation were then used to identify key carbon footprint challenges and reduction opportunities. The tool developed by the team provides a first step toward estimating the carbon footprint of different EPCI methods and outlines further study opportunities for McDermott to reduce the carbon footprint of modularization solutions.

Digital Solutions for Low-Carbon Engineering

In late 2020, McDermott launched an innovative engineering project to develop a digital carbon footprint design tool to improve emissions estimates of our clients' operational facilities during concept, pre-FEED, and FEED and enable decision-making on cost and carbon criteria. The R&D effort will continue through 2021 as

IN EARLY 2021, MCDERMOTT COMMITTED TO THE SCIENCE-BASED TARGET INITIATIVE AND WILL WORK ON SUBMITTING OUR TARGETS FOR VALIDATION IN 2021-2022. LEARN MORE ABOUT MCDERMOTT'S CARBON FOOTPRINT IN THE ENVIRONMENT SECTION

a means of building our low carbon delivery execution capabilities and supporting our clients' net zero goals.

New Energy Projects

In 2020, we won several energy transition projects, primarily studies, FEED, and storage projects that leverage our strong engineering and construction background and expertise.

Hydrogen

McDermott is leveraging decades of experience with the engineering and construction of hydrogen production facilities, and our extensive experience with large-scale hydrogen storage projects for clients such as NASA to promote sustainable hydrogen solutions.

We have extensive historical experience in hydrogen, having delivered over 200 hydrogen projects across the globe and completed more than 500 hydrogen and ammonia storage and terminal facilities. We are an active member of the Hydrogen Council and joined the Hydrogen Forward Coalition in early 2021 to advance hydrogen development in the United States.

Sustainable hydrogen is a critical resource to power a carbon-free future. Our hydrogen strategy focuses on both blue hydrogen, produced via traditional reforming methods to convert natural gas to hydrogen plus carbon capture utilization and storage (CCUS), which produces hydrogen via electrolysis using renewable energy. And green hydrogen, produced by electrolysis using renewable energy sources.

Blending a small percentage of sustainably produced hydrogen into natural gas pipelines lowers the carbon footprint of the blend. Our CB&I Storage Solutions business was contracted by NJ Natural Gas to carry out an EPC for a power-to-gas facility in Howell, New Jersey. The facility will use solar power to produce green hydrogen for injection into an existing natural gas distribution network for home and commercial use.

McDermott was awarded an EPC for a liquid hydrogen sphere for NASA at John F. Kennedy Space Center in Cape Canaveral, Florida. This will be the largest liquid hydrogen tank in the world, with 5,500m³ of capacity and a diameter of 25.6 m.



SUSTAINABLE SOLUTIONS

Carbon Capture, Utilization, and Storage (CCUS)

McDermott has a long history and experience in carbon dioxide (CO2) capture and storage applications. We have delivered more than 80 projects in CCUS and completed approximately 50 liquid CO2 storage projects. McDermott has worked with major CCUS technology providers to help clients reach their sustainability goals.

In 2020, we completed an internal study that covered carbon capture technologies ranging from traditional amine-based capture technologies to evolving and maturing new membrane, adsorption, cryogenic and direct air capture technologies. The study supported our body of knowledge and helped identify potential new strategic partnerships.

We were awarded several CCUS engineering studies either as McDermott alone or through io consulting, our joint venture with Baker Hughes.

Through io consulting, we supported an evaluation of transportation infrastructure required to gather the CO2 from emitters and deliver to offshore depleted hydrocarbon reservoirs in the Dutch sector of the North

Sea. This study considered re-use of existing hydrocarbon infrastructure, the requirement for new pipelines, the pumping and compression requirements and potential marine transportation of liquid CO2 to the offshore storage site(s).

McDermott in The Hague completed the Pre-FEED from Tata Steel B.V. for a project to capture CO2 from the blast furnaces at Tata Steel facilities. If the project comes to fruition, Tata will be one of the first steel companies to capture and store CO2.

Using an innovative approach to carbon capture, NET Power has developed a natural gas generation technology that produces low-cost electricity while eliminating air emissions. McDermott is an owner of NET Power, along with Exelon Generation, 8 Rivers Capital, and Oxy Low Carbon Ventures, and is the EPC contractor for the NET Power demonstration plant in LaPorte, Texas, currently undergoing a rigorous testing program.

Also for NET Power, in 2020, McDermott's UK and US offices were awarded a Pre-FEED for a project to generate a UK-specific NET Power design which could be deployed at multiple locations, including at Teesside

in the UK. This contract was awarded by 8 Rivers Capital and UK Department for Business, Energy and Industrial Strategy.

Looking forward

In 2021, we will continue to build capabilities and backlog in offshore wind, bioenergy and circular economy, building on our track record with onshore and offshore energy technology and infrastructure.

USING AN INNOVATIVE APPROACH TO CARBON CAPTURE, NET POWER HAS DEVELOPED A NATURAL GAS GENERATION TECHNOLOGY THAT PRODUCES LOW-COST ELECTRICITY WHILE ELIMINATING AIR EMISSIONS.





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Within our own operations, McDermott is committed to reducing our impact on the natural environment and using materials and resources efficiently. This goal encompasses five objectives:

- Reduce energy use and emissions at our project sites, vessels, and facilities
- Reduce waste generation from our project sites, vessels, and facilities and improve waste management from generation to end use or disposal

2020 SCOPE 1 AND 2 GHG EMISSIONS	
Scope 1:	183,523 tCO ₂ e
Scope 2:	69,286 tCO ₂ e
TOTAL:	252,809 tCO ₂ e (metric tonnes)
Revenue Intensity:	40 tCO ₂ e/million\$ revenue

SCOPE	DEFINITION	EXAMPLES OF SOURCES FROM MCDERMOTT SITE BOUNDARIES
1	Direct emissions from sources that are owned or controlled by McDermott	<ul style="list-style-type: none"> • Fuel purchased by MDR • Onsite waste incineration or management • Operation of air conditioning equipment or cooling towers • Fugitive emissions from A/C or cooling towers
2	Indirect emissions from the purchasing of electricity, heat, cooling, and steam	<ul style="list-style-type: none"> • Electricity, heating, cooling, and steam acquired or purchased by McDermott
3	Other indirect emissions from sources not owned or controlled by McDermott but whose emissions McDermott influences	<ul style="list-style-type: none"> • Business travel • Offsite waste incineration, recycling, and landfill • Where possible, electricity or fuel provided by third parties (subcontractors, clients, leasing agencies) to a McDermott site (including third party vessels) • Materials and equipment purchased (future focus) • Logistics and transportation (future focus)

Data is collected from sites where McDermott has operational control. We also consider joint ventures where McDermott has at least 15% equity and follow the equity share approach to emissions calculations. On site personnel and sustainability and environmental team members enter data on fuel, waste, electricity, and other emission sources. We use the sustainability reporting software Figbytes to convert that data into GHG emissions, using primarily location-based emissions factors, and to assign those emissions to the various scopes.

- Improve water stewardship, including the use, reuse, conservation, pollution prevention, protection, and improvement of freshwater and marine ecosystems
- Innovate marine and coastal ecosystem preservation and impact mitigation measures in subsea and offshore work
- Support the conservation, restoration, and sustainable use of land

across environmental matters, such as use of energy, materials, and other resources; water and waste management, impacts to land, flora, fauna, wildlife, and other ecosystems; pollution prevention (including air pollution); chemical management; and spill prevention, control and countermeasure. Based on the aspects and impacts analysis, the management team identifies measures, targets and controls to protect environmental resources.

Management Systems

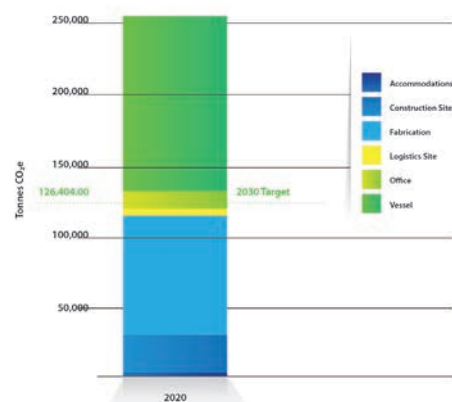
McDermott’s Environmental Management System addresses the environmental aspects and impacts to identify risks associated with our operations, the controls to mitigate them, and compliance with applicable environmental laws and permits. The environmental management system is in conformance with ISO 14001:2015.

All our sites are required to complete an Environmental Aspects and Impacts Assessment, including controls for impacts. The aspects and impacts considered range

GHG EMISSIONS

McDermott launched our carbon footprint management program in 2019 with an emissions study in our internal operations and engineering design processes. In 2020, we developed our carbon footprint methodology and began implementing a greenhouse gas (GHG) management system to track our carbon footprint across Scope 1, 2, and 3 boundaries. The methodology draws from various standards and guidance documents, including GHG Protocol, IPIECA reporting guidance, and Encord Construction CO₂eq Measurement Protocol.

MCDERMOTT Scope 1 & 2 Emissions by Site Type



FABRICATION AND CONSTRUCTION CARBON FOOTPRINT INTENSITY: 1.62 tCO₂e/1,000 WORKHOURS
 Vessel Carbon Footprint Intensity: 5.76 tCO₂e / Hours of Operation
 Note: Intensity metrics calculated without equity share (total emissions/total workhours)



THE AMAZON IS MCDERMOTT'S SOON-TO-BE-DELIVERED J-LAY VESSEL CAPABLE OF HANDLING THE MOST CHALLENGING ULTRA-DEEPWATER PROJECTS.

The Amazon's carbon footprint is reduced by:

- Reduced personnel – High levels of automation allow the vessel to operate with almost 40% fewer personnel on board than comparable vessels. This reduces the number of international flights, onboard living and working space requirements, waste, and other inputs that contribute to carbon footprint in operations.
- Execution efficiency – Large product capacity requires less offshore re-supply from other vessels, thereby reducing fuel, waste, and mobilizations.

ENVIRONMENT

The Challenges

The temporary nature of construction sites for onshore EPC projects poses particular challenges to emissions management. In remote or greenfield areas, lack of utilities and other infrastructure may necessitate use of onsite diesel-powered generators, and there are few options other than diesel power for large scale industrial equipment.

We have identified, however, that our greatest challenge to decarbonization lies in the offshore marine sector. McDermott's fleet of dynamic positioning (DP) vessels and barges accounts for the majority of total Scope 1 emissions. DP vessels require up to 30 MW power plants on board, and weight and space constraints limit the options for alternative power sources.

Evaluating Decarbonization Pathways

While the challenges are significant, we are committed to finding ways to reduce our carbon footprint. In 2021, the McDermott EPC Decarbonization Taskforce, composed of project management, construction and fabrication, and environmental specialists, will focus on identifying short- and long-term

options to reduce our carbon footprint in both fabrication yards and temporary construction sites (brownfield and greenfield).

To motivate action, we have set a short-term incentive target, tied to executive compensation, to reduce emissions intensity across fabrication, construction, and marine by 5% overall in 2021 compared to the 2020 baseline.

For the marine sector, we are evaluating key improvements to decarbonize our marine operations by 30-50% by 2030, such as shore power connections (plugging vessels into clean energy sources when at port), upgrading our DP vessels with battery and engine technology that improves energy efficiency and reduces engine use, and exploring alternative fuels including renewable diesel applications and hydrogen fuel cells.

Current marine reduction measures are limited, and decarbonization of this sector will likely take much longer than onshore activities. Achieving our decarbonization targets depends on technology advancements in batteries and fuel cells as well as availability of cost-competitive alternative fuels like renewable diesel, hydrogen, methanol or ammonia.

Improving Scope 3 GHG Emissions Tracking

Scope 3 GHG Emissions
60,529 tCO₂e

In 2020, we collected data on Scope 3 emissions related to business travel, offsite waste treatment, and electricity provided by clients or subcontractors. Our ambition is to improve Scope 3 emissions tracking and create a holistic project footprint.

To start this effort, we reached out to key suppliers during 2020 to understand their carbon footprint programs and offerings. This engagement highlighted areas of our supply chain with more progress in measuring carbon footprint, such as steel products and logistics, and others, such as equipment, which are just beginning the journey. Even in areas where measurement has progressed, challenges remain to decarbonizing the sector. Ocean freight, for example, will require changes to the fuel mix.

Based on this preliminary engagement, we selected 10 high-impact categories where we will focus our supply chain carbon footprint efforts. These include steel products, equipment (static, electrical, instrumentation, and rotating), logistics, subcontractors (civil, piping, mechanical), cable, fuel, and valves.

In 2021, we plan to verify our top emissions sources in the supply chain through an input-output analysis of our supply chain spend. We also plan further engagement in key categories, developing tools and processes

for capturing supply chain GHG emissions data, and setting clear expectations and requirements for our suppliers around sustainability.

MCDERMOTT Scope 3 (Supply Chain) Carbon Footprint



MANAGING ENERGY USE

Total Electricity Purchased by McDermott:	124,501 MWh
Total Fuel Purchased by McDermott:	48,436,314 liters

Because our current options for energy sources at our project sites are limited, we manage our energy use primarily by focusing on performance management, operational efficiency, and proper maintenance both onshore and offshore. Our vessels include ship energy efficiency management plans. Our Derrick Lay Vessel DLV 2000, built in 2016, was issued an International Energy Efficiency Certificate.

Where we can switch from diesel power to purchasing from the electric grid, we are able to achieve significant reductions in both GHG emissions and operating costs.

In Batam, Indonesia, for example, recent improvements to the local electric grid enabled our fabrication yard to increase its electricity purchase capacity from 6.2MVA to 9.2MVA in October 2020. The increased capacity eliminated the need for daily use of three to four 1600kWh diesel generators. The switch is also economically efficient, with savings averaging \$52,000 a month.

WASTE MANAGEMENT

McDermott's waste management goals are built on the concept of the circular economy. We follow a waste hierarchy: reduce, reuse, recycle, and recover are all considered before landfill disposal. We require a waste survey to identify key waste sources and waste streams. This allows the site to identify opportunities to reduce, reuse, recycle and recover.

Our waste management process establishes the minimum requirements on waste classification, storage, identification and packaging, transportation and disposal for our sites. This includes comprehensive, independent assessments of third-party vendors that

treat, store, dispose, recycle/regenerate, or transport waste and spent materials. We evaluate technical capability, emergency response capacity, regulatory compliance, and historical performance.

In 2020, we diverted 73% of potential waste, a total of more than 331 million kg, through practices including reusing, reselling, recycling, composting and converting waste to energy. Excluding reuse, we generated 177 million kg of waste globally, of which we diverted 23% from the landfill. Our goal is to reduce waste generation by 50% by 2030.

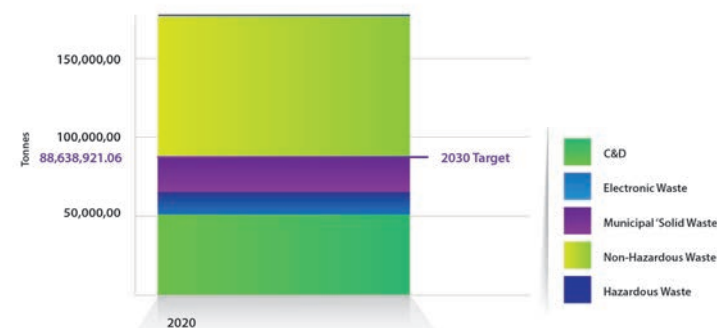
Our permanent office locations accounted for 293,062 kg of waste to landfill in 2020. Our goal is to achieve zero waste from our offices by 2025.

We experienced significant reductions in paper consumption in 2020, primarily driven by remote working that forced employees to use electronic media instead of printed copies to communicate and share information. From April through September, our office facilities saw a 43% reduction in paper consumption compared to projected usage.

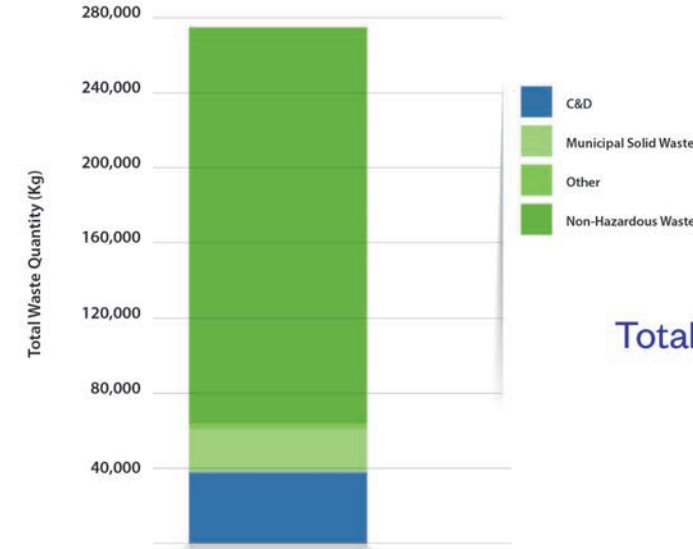
Waste Reduction Initiatives

Employees around the world contributed to waste reduction through a variety of local initiatives during 2020.

Total Waste Generated (tonnes)



Note: Excludes potential waste that is reused



ENVIRONMENT

INITIATIVE

In Port Arthur, Texas, workers increased metal recycling by capturing and segregating metal shavings from pipefitting.

Also in Port Arthur, Texas, the team was able to avoid disposal of unused preservation oil by transferring approximately 580 gallons to another McDermott project a short distance away, saving money and reducing the emissions from treating and reclaiming the oil.

INITIATIVE

In Qatar, workers reused sawdust and wood shavings generated on site as absorbents to soak up or clean minor spills, and as fertilizers/weed deterrents to support plant growth at the facility.

INITIATIVE

At the Paddington office, centralized recycling stations replaced 450 individual desk bins, reducing use of plastic bag liners by an estimated 100,000 per year. A similar initiative in our offices in the Asia-Pacific region (Perth, Kuala Lumpur, Gurgaon and Chennai) improved correct segregation of waste products by removing personal desk bins and using centralized waste stations.

Plastic reduction initiatives were undertaken at multiple locations. Actions included replacing plastic single-use water bottles with water jugs and glasses, providing employees mugs or glass bottles for use with water dispensers, and working with catering suppliers to eliminate single-use plastic food containers. In addition, we undertook a major project to eliminate single-use plastic across our marine fleet, described under World Ocean Day Commitments.

World Clean-Up Day

McDermott employees also helped care for the environment in their communities by participating in World Clean-Up Day, an annual social action program aimed at combating the global solid waste problem, including the problem of marine debris.

- In Dubai, a total of 52 employees and family members participated in a desert clean-up on December 12, near Al Qudra Lake, Dubai, collecting a total of 70 bags of waste.



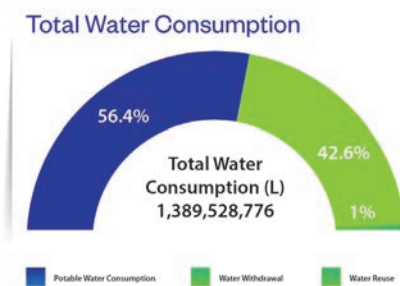
MCDERMOTT WORLD CLEAN UP DAY 2020

ENVIRONMENT

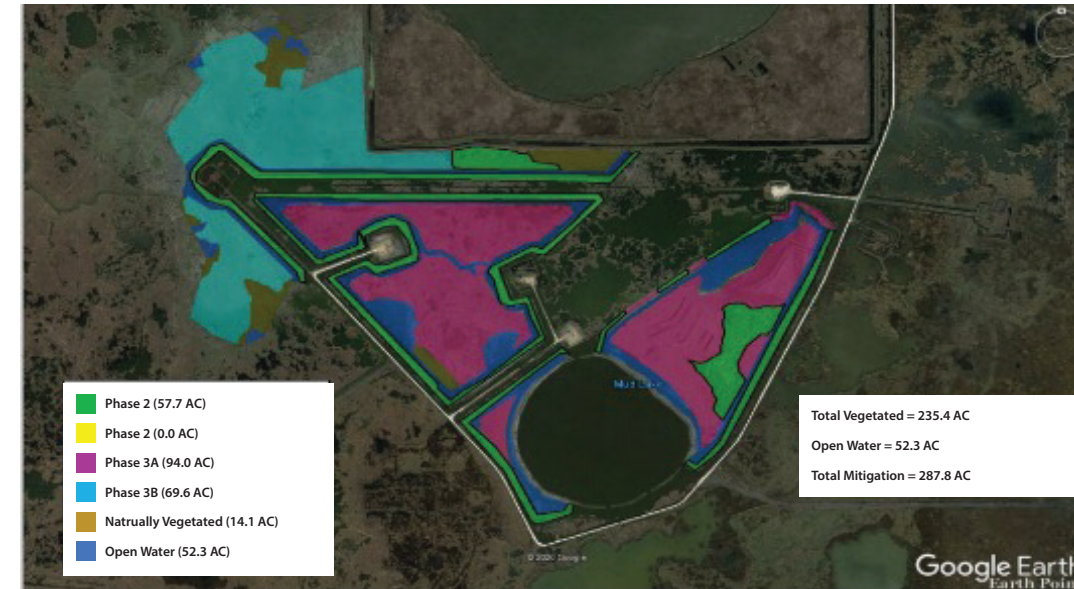
- In Batam, employees sorted out equipment, discarded waste, cleared litter and tidied work stations.
- In Kuala Lumpur, an employee-formed “zeroWasteSquad” of 18 employees joined an additional 50 volunteers who cleaned a span of approximately one mile of the rocky beach at Tanjung Harapan on the west coast of Malaysia. A total of 636 kg of waste was collected and sorted for proper disposal.
- In Saudi Arabia, 278 employees spent a half day collecting waste in and around their project sites.
- 2,000 employees at Jebel Ali collected 400kg of waste in one hour.
- In Mozambique, 200 employees and subcontractors collected 800kg of waste from camps, construction roads, active sites, and marine offloading facilities.
- In Qatar, 38 fabrication employees split into four groups to compete on who could collect the most waste in an hour. A total of 452kg of waste was collected.

- KSA employees collected 20kg of lightweight debris during the artificial reef installation activities at Half Moon Beach, near Khobar. A total of 200kg of waste was also collected at the Jubail Port and 361kg in the Dammam Yard.
- Cleanup activities were completed onboard vessels with 407 employees participating.

WATER USE



Total Water Consumed by McDermott:
1.4 billion liters
Amount of Water Reused:
13.5 million liters



MITIGATING IMPACTS ON THE ENVIRONMENT

Our operations consumed 1.4 billion liters of water in 2020. Our primary use was potable water, including water provided by a utility, as well as water withdrawal from surface or groundwater sources. This water is used for drinking, hygiene and sanitation, construction, and marine activities, such as hydrostatic testing, flushing, concrete works, dust control, and vessel ballast.

We reclaimed or reused a small percentage of this water through initiatives such as contracting with Texas-based Water Fleet LLC to use its self-contained mobile domestic wastewater processing units at two major construction sites along the Texas Gulf Coast. These units replace individual portable toilets and convert domestic sewage into fully treated, filtered, and chlorinated reclaimed water. The reclaimed water can be used for on-site dust suppression or other activities. At another U.S. site, 4,500 gallons of excess stored uncontaminated demineralized water was also reused for dust control instead of being discharged to the ground.

Mitigating Water Impacts

In our onshore operations, our Environmental Aspects and Impacts Assessment process requires all sites to

conduct water surveys to identify activities that have the potential to affect the quality of water. Fabrication and construction activities such as washing stations, civil earthworks, hydrotest activities, sanitary, chemical storage or washout pits, for example, are identified in this process. We comply with regulations and use best management practices and mitigation controls to prevent pollution. Mitigation measures include the development of plans for managing stormwater, preventing spills and controlling erosion; performing inspections and audits to ensure regulatory and management system compliance; and training and awareness.

MITIGATING LAND USE IMPACTS

Our EPC planning process includes working with clients to mitigate the impact of construction activities and the finished project on the surrounding environment. Site and surrounding locations are evaluated for potential impacts to sensitive areas and mitigation steps are put in place in our planning and procedure development. When required, wetland offsets, restoration activities, and wildlife relocation programs are implemented.

IN BRAZIL, WE PROVIDED SEEDLINGS FOR OUR CLIENT TO REVEGETATE THE ONSHORE OPERATIONS BASE FOR AN OFFSHORE PROJECT. A TOTAL OF 1,605 SEEDLINGS WERE PROVIDED, INCLUDING 62 PLANTS FROM EIGHT SPECIES CONSIDERED AS “KEY, RARE AND/OR THREATENED.” EXPERTS ADVISED THAT INCLUDING A WIDE VARIETY OF SPECIES AND INCORPORATING KEY SPECIES INCREASE THE PROBABILITY OF THE REVEGETATION PLAN SUCCESS.



IMPROVING LAND USE IN SAUDI ARABIA

ENVIRONMENT

Controls to limit construction impact include identifying and observing limits of disturbance; proper chemical and waste handling and storage; and appropriate plans for equipment, site maintenance and fueling.

In Coastal Texas, we undertook a wetlands mitigation project to restore 828.7 acres. Work was done during the spring planting seasons in 2019 and 2020, creating 701.0 vegetated acres and 127.8 open water acres.

Improving Land Use

At the Dammam Fabrication Yard in Saudi Arabia, approximately 50 employees, along with partner companies, helped plant 100 new bushes and 50 saplings to improve the yard’s environmental footprint.

Spill Prevention and Response

In our operations, we take steps to protect land and water resources by preventing spills and being prepared to respond if they occur. The process includes identification of areas with potential for spills and establishment of controls to prevent them. Personnel are trained; response

material inventories are maintained; drills are performed; and there is often pre-emergency coordination planning with external spill response agencies. Where spills occur, we act quickly to remediate the site.

SPILL REPORTING:

Significant Spills (defined as Level 3 or above – reportable to a regulatory agency, any spill to water, or quantities ≥ 95 liters): **6 incidents**, including 1 release to air, 1 to ground, and 4 to sea/water.

Loss of Containment for Marine Operations (loss to sea):

6 liters

Loss of Containment for McDermott:

29,091 liters; three major contributors: wastewater, sewage, oil

MARINE AND COASTAL PRESERVATION

Our marine operations focus on preventing or minimizing impacts to the marine environment:

- Our global vessel fleet is equipped with state-of-the-art cathodic protection systems. These systems work with our hull and under water coatings to preserve our hulls and paint applications, preventing the transfer of foreign organisms to the marine environment.
- Our vessels comply with the International Convention for the Control and Management of Ships’ Ballast Water and Sediments (BWM Convention) . This prevents ecological disruption from potential unintended species introduction.

On World Oceans Day 2020, McDermott’s Marine Assets and Operations team announced four commitments to promote marine sustainability:

- 1) Eliminate direct single use plastic consumption in our global marine fleet by the end of 2020
- 2) Partner with suppliers to reduce plastic waste from packaging
- 3) Research and develop solutions to reduce our carbon footprint, such as hybrid vessel technology and energy optimization
- 4) Evaluate asset investments on sustainability criteria, including decommissioning and lifecycle impact

In 2020, we achieved the first commitment for routine operations, and the impact was significant. One vessel alone estimated it eliminated use of 57,200 water bottles. COVID-19, however, created challenges to health and safety that required some single use plastics on certain vessels.

We kicked off the second commitment by engaging our suppliers to reduce waste packaging particularly for catering.

Marine operations took the first steps toward the third commitment with an internal study on decarbonization pathways.



TEAM ENGAGES IN ARTIFICIAL REEF INITIATIVE



APPRECIATION OF THE ENVIRONMENT

ENVIRONMENT

As we continue to advance these commitments in 2021, we will also begin exploring the fourth commitment to evaluate our asset investments.

Marine Spill Prevention and Response

In marine environments, spill prevention and response measures are particularly important. All McDermott vessels have Shipboard Oil Pollution Emergency Plans. McDermott also ensures that reels and hoses procured and used for hydrocarbon and chemical transfer are designed, operated and maintained to prevent spills.

As noted on page 26, McDermott had four reportable spills in marine environments and a total loss of containment of 6 liters. Each incident was investigated and remediation action taken, in accordance with local regulation.

Our vessel personnel conduct routine spill response drills and training. In the unlikely event of a spill reaching the shoreline, a shoreline clean-up and remediation team is mobilized to the affected areas. If required, marine personnel will engage with specialized expertise to mitigate impacts to sensitive areas and wildlife species.

Improving Marine Sustainability

In addition to managing our direct impacts, McDermott supports communities to improve marine sustainability.

In Saudi Arabia, for example, McDermott along with volunteer diving teams conducted an underwater clean-up and installed an artificial reef at Half Moon Beach in Al Khobar. This event was supported by the Saudi Ministry of Environment. One hundred cement artificial reefs, provided by the Ministry of Environment, were lowered and fixed by volunteer divers. Following this, the divers incorporated a decommissioned McDermott platform into the reef.

World Environment Day

World Environment Day focuses on raising awareness about issues that affect our natural surroundings and the measures we can take to protect our environment. In 2020, McDermott employees observed the day and its theme of biodiversity in a variety of ways.

In Asia Pacific employees were encouraged to share pictures of their appreciation of the environment and how they were able to still interact with nature in the pandemic, from home gardening to working from their home.

In India, The Kakinada Yard hosted briefings and awareness sessions, toolbox talks, drawing competitions and quizzes. Employees also took the time to remove plastic from the yard to make the grounds surrounding the camp plastic-free.

At the Altamira Fabrication Yard in Mexico, a drawing competition for employees' children encouraged them to create a piece of artwork and record a short video describing how the drawing was made and providing their own message of what nature is to them.

In the Middle East, employees celebrated World Environment Day and World Oceans Day with activities that included a biodiversity quiz, biodiversity photo contest, children mosaic art contest, and children's costume contest.

STEM Time for Kids!

The at-home restrictions created by the COVID-19 pandemic inspired McDermott to introduce an original weekly learning and development series, STEM Time for Kids created by our Talent & Organizational Development group. Each weekly segment was a casual, fun and informative 30-minute virtual session on science, technology, engineering and math (STEM) related topics.

Topics in 2020 focused on oceans and included ecosystems, water systems, and ocean biodiversity with children producing their own renditions of what this means to them. The series proved extremely popular with employees' children around the globe.



IN INDIA, OUR SPOOLBASE IN KATUPALI HELD TREE PLANTING SESSIONS, ENVIRONMENTAL AWARENESS BRIEFINGS AND QUIZZES TO TEST PEOPLE'S KNOWLEDGE.



SUSTAINABLE ECONOMIC GROWTH



WORKPLACE & COMMUNITY WELL-BEING



SOCIAL

- Our People 34
- Diversity, Equity and Inclusion 35
- Health and Safety 36
- Social Responsibility 41
- Human Rights 53



Key Social Objectives

- **Protect** people by continuously improving the occupational health and safety programs.
- **Develop** resiliency, mental health, and substance abuse prevention and response programs that address high-risk environments.
- **Build** the capacity of people and communities to participate in productive activities, such as employment, entrepreneurship, innovation and technology, and growth of micro, small, and diverse businesses.



DIVERSE THINKING INSPIRES CREATIVITY, INNOVATION AND CONTINUOUS IMPROVEMENT

and—when combined with an inclusive culture—establishes a foundation for any business to thrive and deliver long-term value to all stakeholders.

At McDermott, this means an unwavering commitment to empowering employees and connecting them with the tools and resources they need to grow and succeed.

- **Respect** the rights of Indigenous Peoples and the inclusion of vulnerable and underrepresented groups in our policies and operations
- **Invest** strategically in community health and safety partnerships and manage impacts on local infrastructure services.
- **Improve** human rights and working conditions in our direct operations and supply chain.

Social sustainability principles guide all the ways we interact with people, within McDermott and in our communities and other external relationships. In both our internal and external engagements, we focus on improving health and safety, respecting human rights, and creating opportunities for professional and economic growth.



SOCIAL

OUR PEOPLE

As a global provider of EPCI solutions, McDermott employs a diverse workforce of salaried professional and hourly craft workers. We are focused on creating a collaborative, high-performance culture where employees support and challenge each other to achieve the best outcome for the organization as a whole and for our customers.

MCDERMOTT EMPLOYED 27,728 PEOPLE AT THE END OF 2020, REPRESENTING APPROXIMATELY 100 NATIONALITIES AND WORKING IN MORE THAN 25 COUNTRIES.

Our workforce composition was 43% professional employees and 57% craft workers. The project-focused nature of our work means that our craft workforce fluctuates based on project volume and phases of work, as we bring in workers for specific roles and those roles and projects are then completed. Reflecting this fluctuation, in 2020 we brought in 4,810 new employees, representing 17% of our total workforce, and experienced a turnover rate of 43%.

Across the engineering and construction sector, improving gender diversity is a key issue. Within McDermott, our workforce is 90 percent male, 9 percent female, with 1 percent undisclosed. This number reflects a 98%-male craft workforce, as well as a professional workforce that is 80% male and 20% female.

Compensation and Benefits

McDermott's commitment to people means providing all our employees with quality work environments that support their safety and well-being. We comply with local laws related to employment and benefits and compensation and look for ways to go beyond local requirements.

Our compensation programs are designed to align with and drive achievement of our global business strategies. We pay fair, industry-aligned rates within the various geographies in which we operate. For information on closing the gender pay gap, see McDermott's most recent UK Gender Pay Report.

Beginning in 2019, we implemented a new parental leave procedure in the United

States for all salaried employees, including maternity and paternity leave coverage for eligible employees for up to 12 weeks at 100% of the employee's base salary. In 2020, 77 employees took paternal leave, and 76 (98.7 percent) returned to work after their leave.

Diversity, Equity and Inclusion

Our Diversity, Equity and Inclusion program was refreshed in 2020. As part of these efforts, we aligned with other organizations to further our commitment. We joined the Catalyst Supporter Network in the United States. Catalyst is a global nonprofit organization working with some of the world's most powerful CEOs and leading companies to help build workplaces that work for women. We also joined the CEO Action for Diversity & Inclusion™ (CEO Action) coalition, which brings companies together to address societal systemic racism.

Diversity: We identify opportunities to increase the demographic diversity of our workforce and business partnerships and leverage that diversity to enhance innovation, support continual improvement and business performance.

Equity: We promote equal opportunity, fairness and merit-based rewards.

Inclusion: We promote behaviors and actions that drive a strong culture of inclusion at our workplace

and recognize the value of creating an inclusive business environment.

To demonstrate our commitment to an inclusive workplace, McDermott launched and refreshed its employee resource groups in 2020. These grassroots groups organized by employees serve as internal communities, providing personal connection, professional development, collaboration, and community engagement for their members.

Two measures of the early success of the revitalized groups:

The McDermott Black Alliance helped McDermott facilitate a nomination process and identify a candidate for the CEO Action for Racial Equity fellowship, a one-year program that provides the opportunity for CEO Action signatories to advance racial equity through public policy.



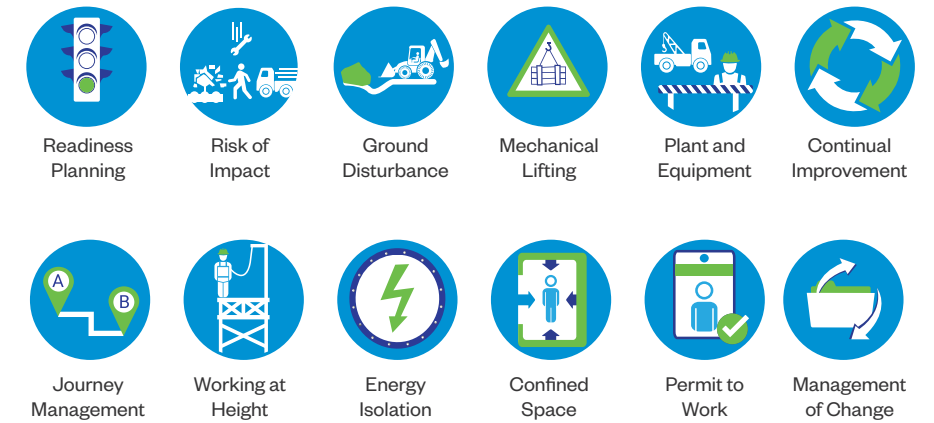
NATIONAL DAY OF MALAYSIA

McDermott employees in Kuala Lumpur celebrated National Day of Malaysia in August with activities including dressing up in traditional costume.



Taking the Lead with QHSES™

McDermott Operational Values



SOCIAL

McDermott's Global Women's Network was named a Winner in the "Teams" category for the 2020 GRIT Awards – a global program presented by ALLY™ powered by Pink Petro and Experience Energy™. The award recognized groups that demonstrate the value of collaboration and inclusion; support diversity while achieving success collectively for their company or the industry; and embrace inclusion and use it to their advantage to problem-solve and generate new and innovative solutions.

PEOPLE-FOCUSED HEALTH AND SAFETY MANAGEMENT SYSTEM

Our Health and Safety Management System is modelled on the ISO 45001 standard, with continual improvement at

its core, and provides a uniform methodology of working – ONE McDermott Way – to enable effective business execution and project delivery consistently across the global organization.

Within that system:

- **Our Quality, Health, Safety, Environment and Security (QHSES)** policy commits the company to the highest standards of Health and Safety performance. It figures highly in the company's communication system: displayed on notice boards; accessible via the company intranet and information document management system; and as a key part of our new-hire training material.

EMPLOYEE RESOURCE GROUPS

Sustainability

Aspire

Global Women's Network (GWN)

Parents at Work (PAW)

McDermott Black Alliance (MBA)

Knowledge and Networking (KAN)

Communications



- **Taking the Lead with QHSES** program is our pathway to instill a robust and mindful QHSES culture across our diverse workforce and global organization, building an attitude and behavior where everyone is a QHSES Leader.
- **McDermott Operational Values (MOVs)** establish a set of values for employees to reduce operational QHSES risks, providing well-being for employees and our stakeholders while contributing to project delivery success. The MOVs are founded on industry-recognized standards and aligned with the International Association of Oil & Gas Producers' Life-Saving Rules.

QHSES Training and Engagement

Training and competency play a vital role in achieving our QHSES goals. Our QHSES Training programs enable our employees to recognize potential risks and to mitigate these risks to prevent injury to personnel, environmental pollution, property damage, security incidents, and Cost-of-Non-Quality. Our training programs are accredited by ANSI's International Accreditors of Continuing Education and Training (IACET).

Total Hours of QHSES Training in 2020

460,000

Courses that significantly contributed to QHSES training in 2020 included new employee inductions, risk management, behavior-based safety management programs, global safe work practices, various QHSES processes and tools, and safety leadership courses.

Our 2020 safety communication programs focused on the McDermott Operational Values, critical risks, and lessons learned. Monthly QHSES KPI reports and quarterly themed campaigns provided continual awareness of safe behaviors. Setting and tracking annual global objectives and targets and regional performance goals ensured we lived our theme:

"Start Strong - Stay Strong – and Finish Strong."



SAFETY MILESTONES

Safety milestones celebrated during 2020 included our Jebel Ali, UAE fabrication team achieving 90 million workhours without an LTI, and our Batam, Indonesia, team achieving 70 million hours without an LTI.

BEST PRACTICES

McDermott's fabrication facility in Batam, Indonesia, was asked to share its best practices on COVID-19 prevention to government representatives and 19 other companies from a variety of industries including tourism, hospitality, retail, traditional markets, manufacturing and fabrication.

SOCIAL

Health and Safety Key Indicators 2020

Total Recordable Incident Rate (TRIR)	0.10
Fatality Rate	0.0
Lost Time Incident Rate (LTIR)	0.01
Global Work Hours 2020	91,115,616

Health and Safety Performance

Our focus on developing, training, and retaining a competent workforce contributed to a Total Recordable Incident Rate (TRIR) of 0.10 in 2020, below our target and well below the average for the industry. Although our goal of zero lost-time incidents (LTI) was not met, our LTI rate of 0.10 was still well below the industry and peer group average.

We were recognized for our safety performance during the year with three safety awards from the Steel Tank Institute/Steel Plate Fabricators Association presented to our CB&I Storage Solutions business unit for safety performance and improvement, and a National Safety Council award for operational excellence presented to the Golden Pass Project in the US.

Health and safety topics covered in formal agreements with trade unions

Health and safety are covered in our formal agreements with trade unions in the UK in accordance with the Safety Representative and Safety Committees Regulations 1997. This includes giving appointed safety representatives the paid time necessary to carry out their functions, and paid time as is necessary to undergo training in those functions provided by the Trades Union Congress or the trade union concerned.

COVID-19 Challenges

The sudden and unexpected emergence of the global COVID-19 pandemic posed particular challenges for our operations throughout 2020. We needed to adjust work plans and guidelines to ensure that we complied with all jurisdictions globally and that we acted in the best interest of our employees, families, communities and the business.

McDermott's crisis management teams around the world rose to the occasion and developed a pathway to protect our people and safely restore and preserve business continuity. Those efforts included:

- **Providing** global and area guidance in an ever-changing work environment
- **Ensuring** remote working capability, resources and tools
- **Developing**, implementing and enabling smart return protocols, resources and tools
- **Launching** a contact tracing program, temperature screening and disinfection protocols
- **Mobilizing and demobilizing** employees around the world during changing travel requirements
- **Redesigning** workplace protocols across our projects, offices, facilities and vessels to mitigate/eliminate potential for exposure

For their efforts, the crisis management teams were recognized with McDermott's 2020 CEO Award for Taking the Lead with QHSES.

We are also grateful to the team at QMW, a McDermott-operated joint venture in Qingdao, China, who led the process that many of McDermott's fabrication facilities globally adopted over time as COVID-19 spread to other parts of the world. Mandatory temperature checks, PPE for health monitoring staff, masks for employees, engaging with local authorities, social distancing in the yard and imposing 14-day quarantine periods and strict cleaning regimes all began in Qingdao.

Realizing what was ahead for many of the project teams, offices and yards across the world, the team in Qingdao also demonstrated their One Team approach by sharing huge amounts of PPE with teams in the United States, France, Malaysia and the Netherlands to ensure the teams had the PPE they required to re-open.



SAFETY PRACTICES

The McDermott team in Brazil developed a video that highlights safety practices including proper hygiene, practicing social distancing, wearing face covering and working remotely.



WELL-BEING



SOCIAL

Global Employee Relief Fund

Prompted in part by the global pandemic, McDermott implemented the McDermott Employees 1st Fund—a relief fund designed to help employees cope with unexpected adversity following a natural disaster or an unforeseen personal hardship. The fund is externally managed and leverages the latest technology to keep the application process unbiased and confidential. It also offers an opportunity for employees, individuals and companies to make direct donations that go directly to support an employee and/or their family during a challenging time.

Mental Health and Resiliency

As part of its commitment to the well-being of employees, McDermott offered a number of resources and initiatives in 2020 to

support the mental health of our workforce, particularly in light of the stresses created by the pandemic. Worldwide, teams used digital technologies to promote mental health awareness, from webinars to emails and letters to employees. More than 25 mental health awareness engagements were conducted, covering topics from stress management to suicide prevention, and **over 2,200 employees participated in Mental Health awareness sessions and webinars.** In addition, McDermott participated in World Mental Health Day on October 10 promoting the World Health Organization’s global online “The Big Event for Mental Health and Employee Assistance Providers.”

Also during the year, McDermott’s Asia-Pacific region improved its mental health employee assistance system, launching the Well-being Hub on the intranet with separate pages for each country (Malaysia, Australia, India, Indonesia and Philippines) and offering Employee Assistance programs to their employees.



Promoting Physical Health at our Global Sites

McDermott also supported physical well-being for employees during 2020, including a variety of locally focused activities:

- **In Dubai**, the KAN employee resource group sponsored about 15 employees to run the 2020 Standard Chartered Marathon.
- **In the Czech Republic**, 31 employees from the Brno office participated in a month-long “Bike to Work” national competition, which promotes not only physical fitness but environmental sustainability. (In the work-from-home environment, rules were eased to include indoor activities.)
- **Employees in Brazil** organized an awareness campaign on the importance of prevention and early diagnosis of breast cancer in October, followed by a November campaign on prevention and early diagnosis of prostate cancer.
- **Across the organization**, blood drives took place in the Middle East, Australia, Indonesia, Brazil, and elsewhere. More than 370 employees globally donated blood during these events.

SOCIAL RESPONSIBILITY

Our social responsibility approach is governed by multiple policies and procedures:

- **Social Responsibility Policy** outlines our commitment to respect people, the environment, and communities in our global operations.
- **Social Responsibility Process** establishes the minimum requirements for managing social issues at McDermott operational sites, including risks to or from the community, relationships with community stakeholders, response to stakeholder concerns, cultural heritage and practices, and local economic development. The standard helps ensure compliance with local content and social performance requirements, secure the social license to operate, and reduce social risk and impacts.

MOZAMBIQUE

After Mozambican horticulture company RW Machambas became a supplier to our joint venture's facilities contractor, it was able to grow from five employees to 34 and expand to become a collector and supplier for smallholder farmers in the surrounding community.



SOCIAL

- **The Social Investment Process**

outlines McDermott's criteria for and governance of voluntary or regulatory contributions (financial, in-kind, and volunteer/time) to communities where we operate.

- **Human Rights in the Workplace**

Guideline details our commitment to provide quality work conditions that comply with all applicable labor laws and the International Labor Organization's core conventions/Declaration on Fundamental Principles and Rights at Work.

Investment in Both Developed and Developing Countries

As a global company, McDermott seeks to support economic sustainability in both "developed" and "developing" countries. This means supporting businesses and workforce development in our areas of operation and considering economic impacts across our business. For example, by developing centers of excellence in engineering in India and modularizing projects in our fabrication yards in the Middle East, Asia, and Latin America, we create longer-term employment

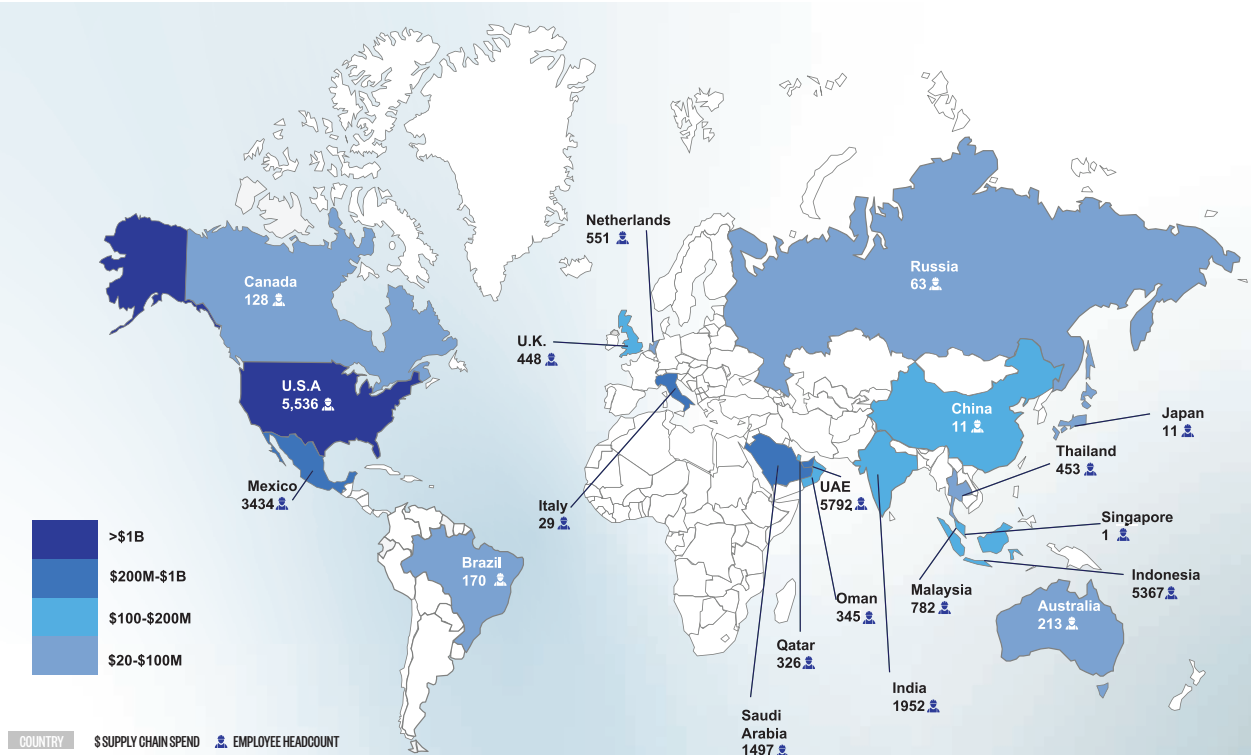
opportunities in these areas. We balance this global approach with specific local content and community development efforts at our sites.

Local Content

McDermott's local content program focuses on holistic local cultural, social, economic, and environmental development. With a focus on economic and social well-being, we seek to increase local employment and supply chain opportunities and work to comply with regulatory requirements around local content. **In 2020 McDermott spent nearly US \$1.3 billion globally on more than 1,500 local businesses.**

Local hiring is an important component of our commitment to contribute to sustainable economic growth in the places where we work. Some countries include employment of a local workforce as a contractual requirement as well. We go beyond requirements in many cases to find and hire the workforce we need.

In Mozambique, for example, we hosted multiple local community recruitment events in early 2020 to attract workers for our LNG project. By December 2020,



there were over 4,000 Mozambican direct and subcontracted workers at our joint venture site.

Examples of both local spending and local employment from some of our largest projects in 2020:

- **In Port Arthur, TX, USA**, local spending accounted for 37% of our total spend, and our spending with diverse and small businesses was more than US \$36 million. Twenty-five percent of our workforce was hired locally, and we undertook seven community development and local content initiatives.
- **In Batam, Indonesia**, in-country spending accounted for 53% of our total spend, and 98% of the workforce was local. Indonesians also held 65% of management positions.

ECONOMIC IMPACT

McDermott's top economic impact countries in local supply chain spend and employment.

- **In Saudi Arabia**, our in-country supply chain spending was US \$387 million. Forty-nine percent of the workforce was local, and 57% of management positions were held by Saudis.
- **In Mexico**, the economic value distributed by McDermott was US \$1.1 billion and we had 3,334 employees.
- **In India**, the economic value distributed by McDermott was US \$831 million and we had 1,952 employees.



WORKFORCE DEVELOPMENT

Trainees visited McDermott's Jebel Ali fabrication yard.



PORT ARTHUR INDEPENDENT SCHOOL DISTRICT CAREER AND TECHNOLOGY EDUCATION (CATE) PROGRAM

SOCIAL

Local Workforce Development

We go beyond local hiring and recruitment to create economic growth by developing the local workforce. These activities encompass preparing students, developing and strengthening training institutions and technical capabilities in the community, internship and apprentice programs, and providing extensive training for new hires.

Job Preparation

We reach out to local communities to strengthen the preparedness of students for career opportunities. This takes many forms based on local needs.

In Malaysia, the Kuala Lumpur team worked with the non-profit Closing the Gap to support their 2020 cohort of under-represented students who are aiming to transition to university. The support included a budgeted donation of US \$30,000, training of 71 mentors in the community, a launch event hosting 250 mentors, mentees and their parents and invited guests, and presentations by Malaysian McDermott employees on university and early career experiences.

In Saudi Arabia, members of the Middle East Sustainability ERG carried out a job interview preparation webinar for female engineering students of Imam Abdulrahman University. Fifty-one female students attended the Zoom webinar.

Build Up: Investing in Training Programs

McDermott also invests in programs in partnership with community colleges, universities, technical schools, secondary schools, government training centers, and other public and non-profit organizations to prepare the local workforce for employment. Our "Build Up" partnerships focus on both short-term benefits and long-term sustainability, and may include development of technical capabilities, advisory services, equipment donations, employability support, instructor support, or technology transfer. **In 2020, 1,367 individuals participated in "Build Up" programs.** Examples include:

- INITIATIVE
 - **In Saudi Arabia**, 24 trainees began a two-year training program at Saudi Petroleum Services Polytechnic (SPSP) to enhance their professional skills in line with McDermott standards. This was the fourth cohort of trainees participating in the Build Up program at SPSP.
- INITIATIVE
 - **In Port Arthur, Texas**, our project donated welding equipment for a course certification that is part of the Port Arthur Independent School District's Career and Technology Education (CATE) program. Our project human resources team also worked with the CATE program to share knowledge on career exploration and interview skills and participated in job fairs.
- INITIATIVE
 - **In 2020, we brought in 263 interns and apprentices globally**, an increase from 88 the previous year.
- INITIATIVE
 - **In India, we sponsored vocational training for 140 unemployed youth in Gurgaon.** Over 12 months, the students completed a Certificate Program for Machine Technician and Certificate

Program for Welding Technician courses plus 40 hours of additional value-added modules covering IT skills, soft skills, communication work safety, and other topics.

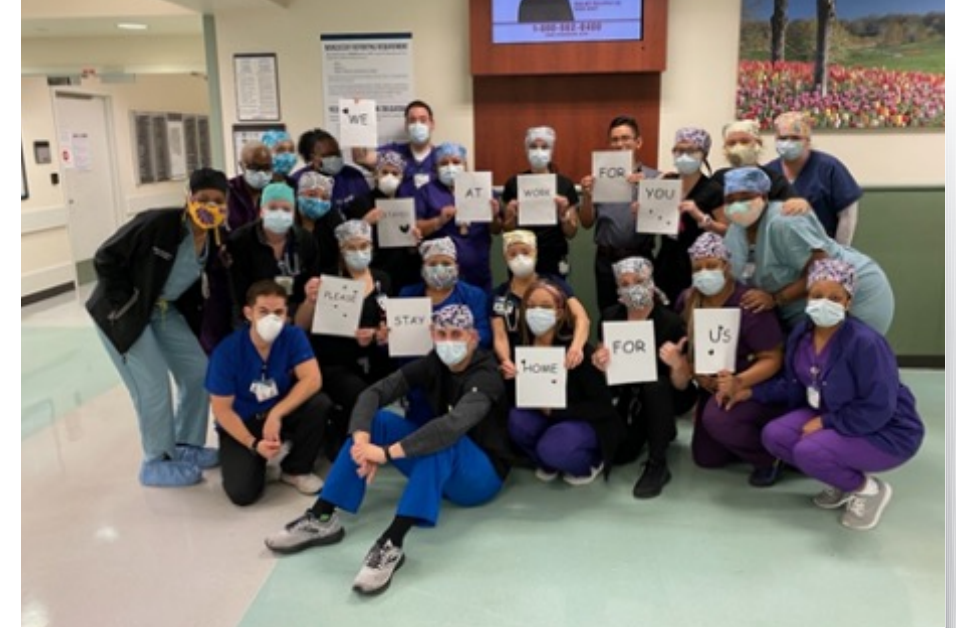
Employee Training & Development

Our focus on career development continues after hire to strengthen new employees' skills, expand employees' knowledge and keep our workforce updated on evolving technology and industry standards.

A high priority is retaining and promoting craft workers within our project-dependent environment. Our "Build On" programs support this goal by providing QHSES skills training, apprenticeships, and on-the-job training and development to help workers add to their skillsets and enhance their opportunities, as well as providing transitional assistance. As just one example, more than 600 fabrication welders across the organization successfully completed our internationally accredited Global Welder Training Program in 2020.

TRAINING AND DEVELOPMENT

IN 2020, MCDERMOTT EMPLOYEES PARTICIPATED IN MORE THAN 257,000 HOURS OF TRAINING, AN AVERAGE OF NEARLY 12 HOURS OF TRAINING PER EMPLOYEE.



SOCIAL

In addition, we post job openings internally and encourage our local human resources teams to work closely with project management to help identify new opportunities for employees as projects near completion. Across the organization, we offer a number of development programs and resources so that employees can tailor their development for specific needs and personalize their career plan. Through McDermott University, our learning center, we offer programs including leadership development, global mentoring, assessment tools, and eLearning such as LinkedIn Learning and Culture Wizard. Typically, McDermott University offerings include both in-person and online learning, but in 2020 all offerings were online. In addition, our digital learning hub offers a library of digital learning tools and virtual workshops.

Supplier Development

In the same way that we work to strengthen the workforce in communities where we operate, we also contribute to local social and economic development by promoting opportunities for local and diverse businesses in our supply chain. As part

of our commitment, the Global Women's Network employee resource group hosted a "Supplier Diversity Awareness" session in December that attracted more than 270 participants.

In 2020, our supplier diversity commitment in the United States resulted in \$129.4 million spend with 175 U.S. diverse and small businesses and \$69.5 million spend with women-owned businesses.

One example was in Port Arthur, Texas, where we spent over \$140 million with diverse and small businesses during the construction phase that ended in 2020.

To keep local suppliers informed of opportunities within the project, the supply chain team participated in numerous supplier seminars, including virtual seminars when in-person seminars were not possible due to COVID-19.

We also made a difference to a small social enterprise business in Malaysia during COVID-19. As part of a Lunch and Learn series at our Kuala Lumpur location, McDermott had committed to monthly catering from Picha Eats, a business that helps local refugees by allowing them to

cook and earn an income. With work-from-home protocols, the catering was suddenly no longer needed. The team decided to maintain its commitment to Picha Eats and donated funds equivalent to 2,000 meals throughout the year.

Social Investment

Social Investment Funds

- McDermott Social Investment: \$477,310
- Employees funds raised: \$24,400
- Number of Beneficiaries: 44,207
- Number of volunteers and hours: 1,125 volunteers and 1,936 hours

* Includes equivalent ownership percentage of joint venture donations

Our social investment is driven by our commitment to supporting the communities where we live and work. While the type of social investment may be specific to the local context, across our operations we prioritize programs that promote partnership, transparency, and accountability and that support the United Nations Sustainable Development Goals. We also aim to support initiatives that engage employees and stakeholders and align with both our business priorities and the local needs in the community.

COVID-19 Community Support

PPE Donated

- More than 10,500 masks
- More than 2,900 gowns
- 9000 gloves
- 230 glasses
- 200 safety boots

In 2020, our social investment focused on the need to respond to the COVID-19 pandemic.

- **We also hosted a challenge on our Global Idea Sharing Platform to invite ideas on community response to COVID-19.** This process led to the creation of a virtual McDermott volunteer hub and donation of more than 700 used desktop computers, 25 laptops, and additional IT equipment to organizations in Czech Republic, Serbia, Houston, USA, and Saudi Arabia to support remote learning during COVID-19.



SUPPORTING OUR COMMUNITIES

SOCIAL

Significant local COVID-19 support efforts included:

- **Cash donations from both McDermott (\$20,000) and Kuala Lumpur employees (\$5,000)** to help a local hospital purchase more ventilators and support MyKasih, a local foundation helping to feed the needy.
- **170 boxes of masks and 200 bottles of hand sanitizer** donated by the Batam, Indonesia, team primarily for use in the Tanjung Sengkuang Community Health Center, the first medical treatment location for any COVID-19 patients in the community.
- **Donations organized by our project teams in the Americas** to give more than 6,000 surplus N95 masks, 9,000 latex gloves, 130 safety goggles, as well as our surplus of Tyvek suits and boots, to Houston hospitals in need of PPE.
- **Approximately \$200,000 contributed to India's Prime Minister's National Relief Fund** to Fight COVID-19 for provision of daily essentials and

goods to the needy, creation and upgrades to healthcare and pharmaceutical facilities, and funding of relevant research.

- **A food drive in Port Arthur, Texas, to help replenish a local food bank** depleted by the pandemic, resulting in employees donating \$7,172 and 343 lbs. of food, ultimately impacting more than 21,000 beneficiaries.

Volunteerism

EMPLOYEE INVOLVEMENT IS A KEY DRIVER IN MANY OF OUR SOCIAL INVESTMENTS AROUND THE GLOBE.

Employees are encouraged to lead and participate in employee resource groups or volunteer committees to support communities impacted by McDermott operations. Volunteer activities are selected based on business needs, community context, and opportunity for employee engagement.

Activities in 2020 included:

Lip-syncing competitions in the Hague and in Houston supported local food banks: €576 donated to Food Bank Nederland and 3,000 meals donated to the Houston Food Bank.

Employees in Louisiana banded together to **collect donations to help 33 co-workers whose homes and property were directly affected when Hurricane Laura** struck the area in August 2020. Approximately 600 people, including subcontractors and client employees, donated money or non-perishable food, personal hygiene, cleaning supplies, baby goods and other essential items. An additional 300 essential items were donated to Celebration Worship Center in Sulphur, Louisiana, for community distribution.

The London Paddington office organized a **children's art project** and created a calendar that was sold to employees. Proceeds benefitted Children of St Mary's Intensive Care, a charity that provides vital support for babies and children in intensive care.

In the Phillipines, after an eruption from the main crater of Taal Volcano spewed ashes across Calabarzon, metro Manila and some parts of Central Luzon and Ilocos Region, employees set up a **donation box to gather cash and in-kind donations** of essentials for affected employees.

In Houston, McDermott's employee resource group Parents at Work **collected more than 1,600 new and gently used books** to benefit "Books Between Kids," a local non-profit organization that encourages reading by helping families in at-risk communities develop home libraries.

Across the McDermott organization, employees donated to brighten the Christmas holidays for others in their communities, including:

- **A "Christmas Tree of fulfilled wishes"** for the Children's Oncology Endowment Fund at the Clinic of Paediatric Oncology at the Brno University Hospital in the Czech Republic. Twenty-five children drew a picture of the gift they would like to find under the tree. Employees in the Brno office selected drawings to fulfill and all 25 wishes were granted.
- **A wish fulfillment project** in Kuala Lumpur inspired by the Brno project, providing wished-for gifts to 110 children at a local orphanage just outside KL. The gifts included 12 requested pairs of roller blades – which the engineering team fulfilled along



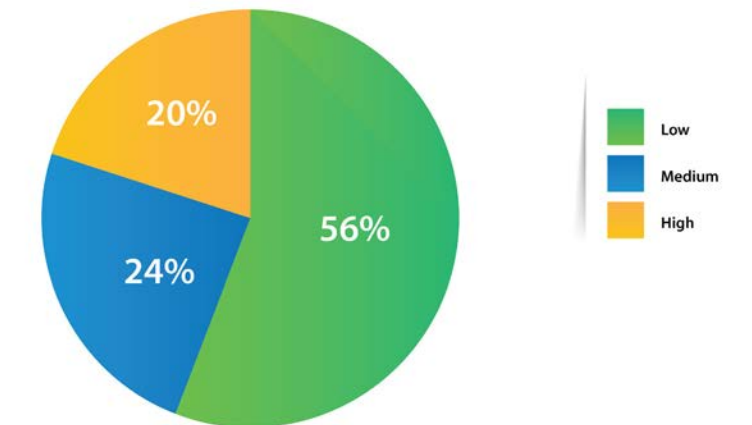
RAINWATER HARVESTING

Improved clean water availability for both human consumption and cattle raising.



COMMUNITY OUTREACH

Social Risk Level - Sites



SOCIAL

with helmets for each child, “Taking the Lead in Safety” even in gift-giving.

- In Texas, more than **200 educational toys for Toys for Tots plus donations** from 32 employees to adopt 41 children through the Salvation Army Angel Tree Foundation.
- A multi-pronged project was organized by the team in Kuala Lumpur to **support two children’s orphanages near the office**, Agathians Shelter and Shelter Home for Children. Employee donations totaling US \$1,745 were used to purchase food and other essentials for the orphanage. Employees also donated gently used books, games and puzzles, and fulfilled the gift wishes of 42 children and teens in the shelters.

In total, McDermott employees worldwide donated 452 Christmas presents to children in their local communities.

Livelihoods & Schools

McDermott’s commitment to sustainable economic growth goes beyond increasing employment and career opportunities, especially in developing countries.

In 2020, we focused on improving our social investment programs in India with the aim of supporting the UN Sustainable Development Goals.

Initiatives in 2020 included:

- Installation of an 8 KW solar power plant for electricity generation and installation of a solar-powered RO water purifier system in each of 6 schools in Gurgaon and Chennai, India.
- A rainwater harvesting project benefiting 288 families in the Tiruvallur district, Tamilnadu, near McDermott’s Chennai office, by de-silting three ponds, implementing rooftop rainwater harvesting and forming and strengthening local water and sanitation committees to monitor and maintain the structures created by the project.

Stakeholder engagement and social impact management

Social Risk and Impact Management

McDermott operational sites are required to undergo an initial (Level 1) social risk review to determine the initial risk level, as high, medium, or low risk. The review considers both risks to our operations and risks that our operations will negatively impact the community.

Across our operations, most (56%) of our sites active in 2020 were classified as low social risk; 20% were classified as high social risk.

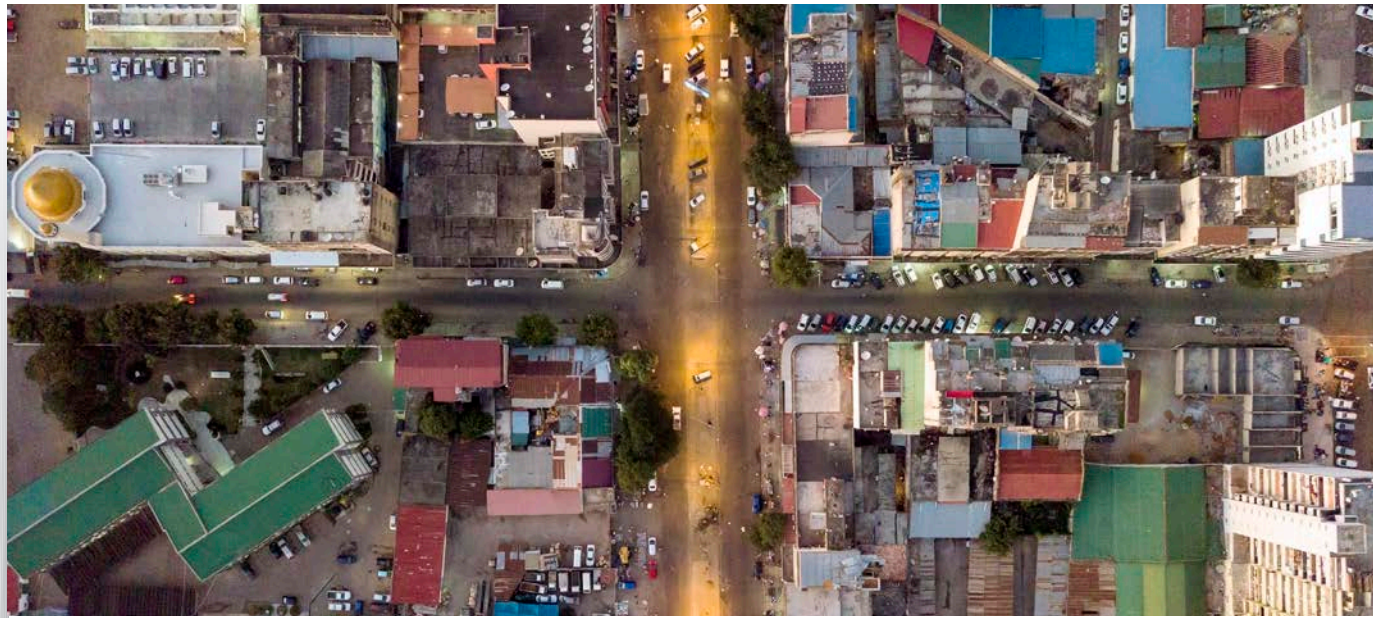
Based on the risk level identified, we may conduct a Level 2 Social Risk Assessment to further evaluate potential community impacts from our direct and indirect operations and identify mitigation measures to avoid or minimize our impact. In 2020, 86% of significant projects* included Level 2 reviews of social risk and impact.

The categories of social impacts that were identified for the significant projects were:

- Nonlocal worker or population influx
- Livelihoods (tourism, agriculture and local content)
- Environmental nuisances
- Human rights including labor conditions
- Community health
- Security/public safety

Using these assessments, we develop an appropriate social responsibility plan that addresses social risk and impacts, stakeholder engagement, grievance mechanisms, local content and diversity, and social investment.

* Significant projects are defined as project sites with a project value over \$1 billion active during 2020.



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Stakeholder Engagement

McDermott seeks to engage local stakeholders responsibly, in collaboration with our customers. Where applicable, we conduct stakeholder mappings and establish engagement matrices to support local awareness and incorporate feedback from the community.

Stakeholder engagement supports our local content efforts, social risk management, and social investment programs. Examples of stakeholder engagement across these areas are included below.

In Mozambique, we held many engagements with local fishing communities to provide awareness about maritime safety near the project. In these communities, there were also awareness sessions about good health practices in times of pandemic such as correct hand washing, social distancing and mask wearing.

Also in Mozambique, we met with local village leadership to discuss concerns about road safety, particularly for children. The leaders arranged a meeting with the children’s parents to discuss what is happening,

and allocated a facilitator from the local community to monitor the daily movement of children on the roads.

In Brazil, our team engaged with local health authorities in the Owsaldo Cruz Community to establish a partnership for health education sessions focused on topics identified as challenges in that community. These included gender violence, alcohol and drug use and blood donations.

On the Texas Gulf Coast, we worked with local community members, industry organizations, and government agencies to strengthen positive impacts from our project, such as job opportunities, and manage risks and impacts. For example, the project team and our client reviewed with local industry neighbors traffic and road safety concerns on the main highway used by the project. This coordination also helps reduce cumulative impacts from companies operating in the area.

Community Grievance Mechanisms

Community grievance mechanisms provide a pathway for stakeholders to express concerns or ask questions about our operations. These mechanisms help ensure appropriate and timely response to community concerns and serve as an “early warning” to prevent incidents.

On projects with grievance mechanisms, we enable community members to raise concerns or provide feedback by email, telephone and by using drop boxes and forms at entrance security. We promote awareness of the grievance mechanisms with a notice at security entrances, handouts distributed for subcontractors to share, and explanations of the process to key stakeholders in regular meetings.

In 2020, one project on the Texas-Louisiana border received community grievances mostly related to inclusion of local businesses. Our team met with local stakeholders to explain how we awarded local contracts and what subcontractors were hiring locally.

For another Texas Gulf Coast project, six community grievances were received in relation to traffic, noise and dust. We responded by putting in mitigation measures including increased security monitoring, a flagger to control traffic and watering the parking lot to minimize dust.

HUMAN RIGHTS

In 2020, in order to improve human rights global guidance on worker welfare, McDermott published in its Management System our Human Rights in the Workplace Guidelines. These guidelines are applicable globally, including to subcontractors on site, and provide direction in the following topics:

Number of Community Grievances		
Received	25	-
Addressed	18	72%

- Promoting dignity, respect and fairness
- Freedom from child labor
- Ensuring workers are free from forced, involuntary, bonded, trafficked or coerced labor
- Worker representation is respected
- Access to grievance mechanisms, access to remedy
- Adequate working and living conditions

This guideline supports our membership and commitment to the Building Responsibly Worker Welfare Principles.

In 2020, McDermott screened 100% of its new suppliers with human rights questions before registration in our supplier registration system. These human rights questions include the topics of child labor, forced labor, human trafficking and labor rights and adequate working conditions.

McDermott also includes human rights impact considerations in our social risk assessments (see Social Risk and Impact Management Section).



SOCIAL

Human Rights Self Assessments

McDermott adapted Building Responsibly's Human Rights Self-Assessment Tool for our operations. Self-assessment of human rights aims to identify and evaluate potential human rights risks and gaps. Our first aim for self-assessment is to raise awareness among site management on McDermott's Human Rights in the Workplace Guidelines. The process enables management to better understand the guidelines and practical applications. We performed our first six human rights self-assessments in fabrication yards located in:

- Mexico
- Qatar
- Indonesia
- Saudi Arabia
- China
- UAE

Human Rights Audits

In December, McDermott piloted a new human rights audit at one project in collaboration with our Internal Audit team. This human rights audit will be deployed in 2021 in selected high-risk sites.



GOVERNANCE

- Board Governance** **57**
- Ethics** **59**
- Code of Business Conduct** **59**
- Enterprise Risk Management** **62**



Following successful completion of a comprehensive balance sheet restructuring in June 2020, McDermott is registered as a private company. The restructuring agreement and amended bylaws require McDermott to relist within 36 months after its restructuring. Our governance is based on best practices and designed to be accountable to current and future shareholders.

BOARD GOVERNANCE

McDermott is guided by and benefits from the unique and diverse skill sets of the eight-member Board of Directors.

Our Board of Directors includes:

- **Craig Broderick** is a Senior Director of Goldman Sachs, and most recently served as the firm’s Chief Risk Officer, a member of its Management Committee and chair or co-chair of Goldman’s most senior risk committees. In this role, Mr. Broderick was head of the firm’s 1,000+ person Risk Division and was responsible for managing the firm’s credit, market, operational, model and liquidity risks. After spending 32 years with Goldman Sachs, Mr. Broderick was the longest serving Chief Risk Officer of a major financial institution and retired in 2018. He currently serves on the board of directors for Bank of Montreal (BMO) and RMG Acquisition Corp II.
- **Neil Bruce** is an industry veteran industry with an extensive track record in the delivery of large, world-class projects to global clients in the resources, energy and infrastructure sectors. Mr. Bruce started his career in the North Sea basin with Brown and Root, delivering groundbreaking offshore projects for 10 years, then moved to Atlantic Richfield where he delivered full lifecycle offshore gas development projects. He subsequently spent over 20 years in public-company environments with Amec Plc as Executive Director and Chief Operating Officer and SNC-Lavalin where he was President and

Chief Executive Officer until 2019. He also served as Co-Chairman of the Partnership Against Corruption initiative within the World Economic Forum. He currently serves as a director for DAR AL-Handasah, chairman and director for Sustenari Bio Fuels and Paragon Alternative Technologies Limited and an independent advisor for Lumeri.

- **Barbara Duganier** is former Global Chief Strategy Officer of Accenture. From 2004 to 2013, Ms. Duganier served as a managing director at Accenture after serving as an independent consultant to Duke Energy North America. While at Accenture, she held various leadership and management positions in Accenture’s outsourcing business, including as Global Chief Strategy Officer and as Global Growth and Offering Development Lead. Ms. Duganier began her career with Arthur Andersen and spent 23 years with the firm, including 12 years as an equity partner and two years as the Global Chief Financial Officer for Andersen

INTEGRITY

We live our values and do the right thing - Whether or not anyone is watching us. Honor our legacy and help engineer our future by remaining honest, leading by example and working with integrity in all that you do.



GOVERNANCE

Worldwide. Ms. Duganier is a current board member for MRC Global, Texas Pacific Land Corporation, Pattern Energy Group and West Monroe Partners and was formerly a board member of Noble Energy, Buckeye Partners, L.P. and HCC Insurance Holdings.

- **Andrew F. Gould** is the former Chairman and Chief Executive Officer of Schlumberger, Ltd. Following his 37-year career with Schlumberger, a leading oilfield services company, Mr. Gould served as Chairman of BG Group PLC, a multinational oil and gas company, from 2012 until its sale to Royal Dutch Shell in 2016. He was previously a member of the Board of Directors of Saudi Aramco, Rio Tinto PLC and Rio Tinto Ltd. Mr. Gould currently serves on the Boards of Directors of Occidental Petroleum and Lambert Energy, as Chairman of the International Advisory Board of Boston Consulting Group and as a Partner and Chairman of the Energy Council of CSL Capital Management.
- **Alan Hirshberg** is the former Executive Vice President, Production, Drilling & Projects of ConocoPhillips. In this role, he was responsible for the company's worldwide operations, as well as supply

chain, aviation, marine, major projects and engineering functions until his retirement in 2019. Prior to joining ConocoPhillips in 2010, Mr. Hirshberg worked at ExxonMobil for 27 years, serving in various senior leadership positions in upstream research, production operations, major projects and strategic planning. Mr. Hirshberg currently serves on the boards of directors of Falcon Minerals Corporation, Noble Corporation and Primexx Energy Corporation.

- **Nils Larsen** is the President and founder of SZR Consulting, LLC and previously was a Senior Operating Adviser working with The Carlyle Group's U.S. Equity Opportunities Fund. Prior to partnering with The Carlyle Group, he served in a variety of senior executive positions with Tribune Company, including the President and Chief Executive Officer of Tribune Broadcasting and as Co-President of Tribune Company. Mr. Larsen has significant governance experience in post-bankrupt entities and also serves on the Boards of Directors of Vantage Drilling, Extreme Reach, LiveStyle, Inc. and Treehouse Real Estate Investment Trust.

- **Lee McIntire** is currently serving as interim President and Chief Executive Officer of McDermott and remains a member of the Board of Directors. Previously, he served as Chief Executive Officer of TerraPower from August 2015 to October 2018 where he also served on the Board of Directors. Mr. McIntire previously served as Chairman, Chief Executive Officer and President of CH2M Hill variously from 2006 to 2014. Prior to joining CH2M Hill, he was a Partner and Executive Vice President and served on the board of the Bechtel Corporation from 1989 to 2004. Mr. McIntire has served on multiple boards, including the Executive Committee of the Nuclear Energy Institute, National Petroleum Council and British Aerospace (BAE). He currently serves on the boards of Ovintiv (formerly Encana Corporation), Spur Petroleum, Hennessey Capital V and the advisory board to the National Academies of Engineering, Medicine & Science.
- **Paul Soldatos** is a board member and senior advisor in the industrial, service and consumer/retail sectors. Currently, he is a director of Steenbok Newco 3

Limited (a holding company of Steinhoff Europe AG), Stripes Holding Inc. (Mattress Firm), Pepco Group Limited and Tailored Brands. Mr. Soldatos' prior boards include Gucci Group N.V., Saks Holdings Inc., Convenience Foods Systems BV, and Evoca S.p.A.

ETHICAL BUSINESS

McDermott is committed to conducting our business in accordance with high ethical standards based on integrity, reliability, fairness, mutual respect, and trust. This commitment, which extends to each of our subsidiaries and affiliates, includes compliance with the laws of every country in which we operate. It's how we build trust between ourselves and those with whom we do business.

CODE OF BUSINESS CONDUCT

McDermott updated our Code of Business Conduct in 2020 with a renewed focus on our core values. In addition to outlining our governance commitments, we included a greater focus on social and environmental sustainability.



GOVERNANCE

The Code covers the following subjects: business conduct, including preventing corruption, avoiding conflicts of interest and following antitrust and compliance laws; teamwork, including diversity, equity, and inclusion and supplier relationships; protecting people and the environment, from data privacy to health, safety, social and environmental responsibility and human rights; and other operational commitments to our stakeholders.

All employees are expected to:

- Know and follow our Code and any relevant policies, laws and regulations.
- Handle every interaction with the highest degree of integrity.
- Cooperate fully with any investigations into misconduct.
- Speak up if misconduct is seen or suspected.
- Ask questions if unsure of what to do.

Oversight

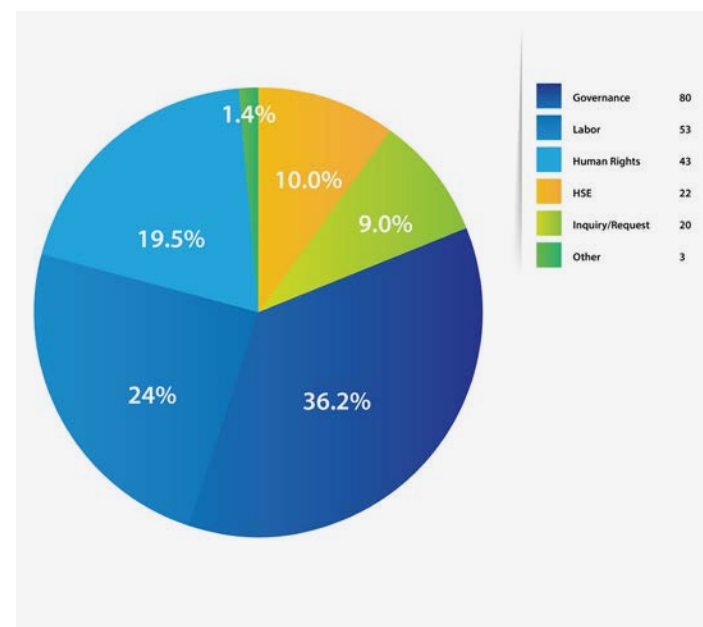
Our Code of Business Conduct outlines the ethics and compliance standards we expect our employees, suppliers, subcontractors, and other business partners to uphold. Leadership and oversight of our Ethics and Compliance Program are provided by the Chief Compliance Officer, the Corporate Compliance Committee, and the Board of Directors. The program includes:

- Communication and training
- Confidential reporting and the internal investigation of issues of concern
- Continuous improvement through program auditing and reporting
- Ongoing monitoring through third party due diligence and risk assessments

Anti-Corruption

In adherence to the U.S. Foreign Corrupt Practices Act and the UK Bribery Act, McDermott prohibits all bribery and

Grievances Received from Ethics Helpline



corruption in connection with our business. The company takes these obligations seriously and expects all employees and third parties to do the same.

- We look to OECD guidance when crafting our policies and procedures on anti-bribery and corruption.
- We have incorporated anti-corruption and compliance language in all contracts.
- We have internal procedures for investigation of suspected non-compliances of anti-bribery and gift & entertainment policy and procedure to ensure appropriate controls and reporting of potential issues.
- All the company’s transactions are tracked to ensure they are properly and accurately recorded in the company’s accounts.

Communication and Training

We take steps to ensure compliance-related policies and procedures are communicated throughout the organization. Employees at the technical and professional specialist level and above are required to complete annual ethics training. Courses include:

- Anti-Corruption and Bribery
Managing Conflicts of Interest
- Eliminating Forced Labour, Slavery, and Human Trafficking
- Workplace Harassment: A Global Perspective

Ethics Helpline

McDermott’s Ethics Helpline is managed by a third-party company and is available 24 hours a day, seven days a week, with translation/interpretation support in several languages. Helpline information is included in onboarding presentations and annual global communication materials translated into several languages. Employees and third parties can report grievances to the Helpline anonymously by phone, email, or online.

In addition to using the Ethics Helpline, employees can report suspected violations of our Code of Business Conduct and other ethics violations by emailing or calling the Legal and Compliance Team directly. McDermott prohibits employees and supervisors from engaging in retaliation, retribution, or any form of harassment against another employee for reporting concerns in good faith.

Grievances Received

McDermott tracks grievances by category and addresses grievances by either referring the grievance to the responsible functional team or following the investigation outlined below. When an ethics-related complaint is received, it goes through a rigorous investigation process by McDermott’s Legal, Compliance, and Risk teams. From there, other functions such as

Internal Audit or Human Resources are brought in to assist with the investigation based on the nature of the claim. Cases are elevated to executive leadership if required. Investigations are documented upon resolution, with claims being substantiated or unsubstantiated.

ALIGNING SUSTAINABILITY AND ENTERPRISE RISK MANAGEMENT

In 2020, we began a process to strengthen enterprise risk management (ERM) within McDermott. This effort, which continues as a key focus for 2021, highlights the link between sustainability and risk as we plan for the consequences of climate change, the onset of disruptive technologies and new business models, and demands for transparency from stakeholders. We believe a collaborative approach between sustainability functions and ERM can drive stronger, more sustainable strategies to make our business more resilient.

McDermott's Strategy, Sustainability and Risk Management teams are now working together to align strategy, sustainability and ERM frameworks. We realize that having a well-developed ERM process will enable us to integrate sustainability into our core business but at the same time address blind spots and develop more robust strategies.

Energy Transition and ERM Risks

Since the start of 2020, we have strengthened governance around sustainability and increased our work across the company to

meet the needs of the Energy Transition. Our sustainability program seeks to create long-term value for our future business and our stakeholders in the context of the Energy Transition while the ERM Risk team ensures the availability of supporting teams with accountability and responsibility for developing solutions and market strategy.

Governance by Board of Directors

The McDermott Board of Directors oversees both Sustainability and ERM. This governance provides a strong structure and enables us to assess risk and set appropriate metrics for monitoring our goals.





OTHER ITEMS

- Reporting Principles and Materiality **64**
- International Standards and Guidance **65**
- Industry Engagement **67**



REPORTING PRINCIPLES & MATERIALITY

McDermott focuses on key reporting principles, based on international guidelines:

Accuracy and Completeness: The reporting process aims to capture complete and accurate data to the extent feasible and within the boundaries established using accepted emissions factors and other calculation norms as applicable. As such, the reported information

should be sufficiently accurate and detailed for stakeholders to assess our performance in the sustainability program. Quantitative data is consistent through the report with notes highlighting which data has been estimated, assumptions taken, and any key techniques used in the calculation process.

Relevance and Materiality: The reported information reflects aspects of McDermott’s performance to enable a reasoned assessment of the sustainability program. Operational boundaries and scope are based on internal and external needs. Materiality is determined through a materiality analysis process that includes assessment of risk, business applicability and stakeholder priorities.

Clarity and Transparency: Sustainability reporting presents accurate, factual information in a way that is understandable, accessible, and usable by McDermott’s range of stakeholders. Technical terms, assumptions, and methods are defined.

Comparability and Consistency: McDermott selects, compiles, and reports information consistently across McDermott sites and business lines according to materiality, risk, and site type. The reported information is intended to be presented in a manner that enables stakeholders to analyze changes in the company’s sustainability performance over time, and that could support analysis relative to other organizations.

Reliability: McDermott gathers, records, compiles, analyzes, and reports information and processes used in the report in a way that establishes the quality of the information for all key data sources within the boundaries established.

Timeliness: McDermott intends to issue a sustainability report once per year covering the previous year’s environmental and social performance. This will enable the comparability of information over time, and the report’s accessibility to stakeholders. The 2020 ESG Report is our first.

International Standards and Guidance

Sustainability reporting indicators have been guided by the U.N Sustainable Development Goals and key reporting standards and frameworks, such as:

- Global Reporting Initiative
- IPIECA Sustainability Reporting Guidance
- Industry Standards from the Sustainability Accounting Standards Board

Specific variables, metrics, and key performance indicators support McDermott’s sustainability strategy and were determined after an initial materiality assessment and development of McDermott’s sustainability goals. Additional indicators may be added if new material issues emerge. The list of indicators and mapping to the above standards is held in the sustainability reporting system, FigBytes, which acts as the source of truth for McDermott sustainability data.



OTHER ITEMS

Materiality

McDermott intends to conduct a formal materiality assessment at least once every three years. The format may include:

- Materiality survey open to McDermott employees
- External stakeholder feedback
- Inputs from the materiality analysis noted below

As part of the environmental and social reporting process, materiality reviews are conducted annually by the Sustainability team in collaboration with relevant functions. Materiality analysis includes reviews of:

- Topics significant to the energy and engineering and construction industries, including guidance and publications from IPIECA, IMCA, Building Responsibly, and other industry organizations
- Sustainability topics covered by our clients and industry peers
- Risk and impact assessments conducted for our projects, including both operational and stakeholder impacts

- Grievances and feedback received from stakeholders through McDermott or joint venture grievance mechanisms
- Employee feedback through sustainability summits, employee resource groups, and business unit plans

New or changed material issues identified through the above processes are incorporated during the annual reviews of the sustainability reporting system (including variables, metrics, and indicators). At the end of 2020, for example, we identified the following improvements and expanded material indicators as focus areas for 2021:

- Expanded Scope 3 emissions analysis
- Development of a carbon offsetting methodology
- Standardization of engineering carbon footprint calculations
- Improved local content and direct economic value scorecards
- Expanded human rights due diligence indicators

Industry Engagement

McDermott partners with industry organizations to promote sustainability and leverage opportunities for advancing sustainability together.

Key organizations and roles:

Building Responsibly: McDermott serves on the Building Responsibly Steering Committee to promote worker welfare in the construction and engineering industry.

IPIECA: McDermott actively participates in IPIECA initiatives on human rights, environment, supply chain, and climate.

IMCA: McDermott serves on the environmental sustainability committee of the International Marine Contractors Association and collaborates to advance offshore marine contracting environmental responsibility.

HC: McDermott is an active member of the Hydrogen Council to promote collaborative efforts on hydrogen's role in the energy transition. In 2020, McDermott served on the committee for the Hydrogen Decarbonization Pathways report.

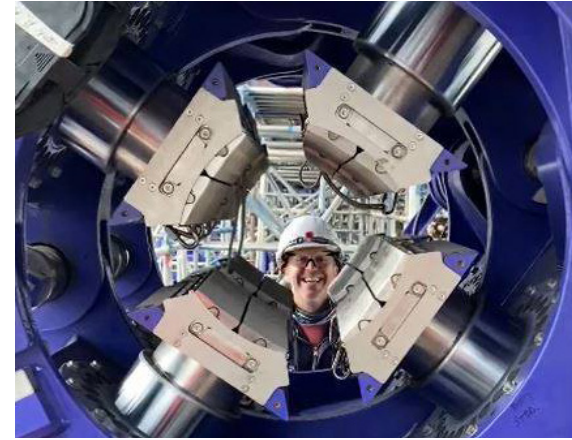
EYE: McDermott is a sponsor of the European Young Engineers, an international

non-profit organization that represents more than 350,000 young engineers from all different disciplines. In 2020, McDermott and EYE launched an eight-week business challenge aimed at developing sustainable solutions using artificial intelligence and machine learning.

EIIL: McDermott collaborates with the European Institute for Industrial Leadership in training programs for employees identified as current and future leaders. In 2020, the McDermott EIIL trainees researched the sustainability impacts of modularized construction.

We partner with local chambers of commerce, business organizations, and educational institutions in various locations globally to promote sustainability, local and diverse business development, and workforce initiatives. For example, in Houston, McDermott actively participates in sustainability and DE&I programs and committee with the Greater Houston Partnership. Other stories on collaboration are highlighted in the report sections. We also partner with broader industrial and corporate groups focused on health and safety such as:

CHWMEG: McDermott is a member of this trade association comprising industrial



OTHER ITEMS

organizations, educational/research institutions, and individual government installations that are concerned with waste management processes.

McDermott is a founding member of the National Safety Council (NSC), as well as a member of the Construction User Roundtable (CURT), Construction Industry Institute (CII), National Construction Safety Executives (NCSE), Royal Society for the Prevention of Accidents (RoSPA)—and the Conference Board’s Chief EH&S Officers Council.

Through employee professional memberships, McDermott team members are also part of the American Society of Safety Professionals (ASSP), American Industrial Hygiene Association (AIHA), and American Conference of Governmental Hygienists (ACGIH).

Engineering-focused organizations we partner with include:

Engineering Construction Industry Training Board (ECITB) works with government, education sector, and employers to ensure the UK has workers with the skills to meet the needs of the engineering construction industry. ECITB Global works with almost 200 licensed training providers in more than 25 countries. We draw from this network at certain project sites.

Engineering Construction Industry Association (ECIA) is the principal trade and employer association for the UK engineering construction industry.

We are signatory to key union trades in the US through various National Agreements.

DE&I Partnerships

- CEO Action
- Catalyst
- Gender & Diversity KPI Alliance

McDermott also participates in oil and gas industry associations including:

- American Fuel & Petrochemical Manufacturers (AFPM)
- GPA Europe (Gas Processors Association Europe)
- The European Ethylene Producers Committee (EEPC)
- The Ethylene Producers Committee (EPC)

Other participation:

- International District Energy Association (IDEA), International Liquid Terminals Association(ILTA), and Water Environment Federation (WEF).

- NAP – a Dutch Industry Competency Network
- Bond voor Materialenkennis (BvM)
- British Chemical Engineering Contractors Association (BCECA)
- British Standards Institution (BSI)
- DNV
- Energy Institute (EI)
- Heat Transfer Research Inc. (HTRI)
- Institute of Electrical and Electronics Engineers (IEEE)
- International Association of Oil & Gas Producers (IOGP)
- National Association of Corrosion Engineers (NACE)
- National Council on Engineering Examiners (NCEES)
- Nederlands Instituut voor Lastechniek (NIL) (Dutch Welding Institute)
- OPT
- Process Industry Practice (PIP)
- Society for Underwater Technology (SUT)
- Technische Commissie voor Drukapparatuur (TCD) (Technical Committee for Pressure Equipment)
- American Society of Civil Engineers (ASCE)
- American Society of Mechanical Engineers (ASME)
- American Society for Nondestructive Testing (ASNT)
- American Society of Testing & Materials International (ASTM)
- American Welding Society (AWS)
- American Water Works Association (AWWA)
- Building Seismic Safety Council (BSSC)
- Canadian Standards Association (CSA)
- Deep Foundations Institute
- European Standards
- National Fire Protection Association (NFPA)

Our CB&I Storage Solutions business contributes to engineering code committees of organizations including:

- American Concrete Institute (ACI)
- American Gas Association (AGA)
- American Institute of Steel Construction (AISC)
- American Petroleum Institute (API)

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- *This report draws from various international standards and frameworks but does not claim compliance with these standards. The table of contents here is intended to help stakeholders navigate to related issues.