



# 2021 SUSTAINABILITY REPORT

**MCDERMOTT**

# About this Report

**McDermott's 2021 Sustainability Report reflects our commitment to reporting and accountability for continuous improvement in sustainability. This report highlights key sustainability topics, our management approaches, and performance metrics. Our 2021 Sustainability Report marks our second consecutive annual sustainability report.**

## REPORTING PERIOD

- January 1, 2021 – December 31, 2021 (unless otherwise noted)

## REPORT BOUNDARIES

- Our 2021 Sustainability Report covers activities under direct operational control of McDermott International, Ltd.
- All financial data is presented in U.S. dollars (unless otherwise noted)

**We welcome your feedback and questions about our ESG performance. Please direct them to [sustainability@mcdermott.com](mailto:sustainability@mcdermott.com).**

## Additional Information

McDermott cautions that statements in this communication which are forward-looking, and provide other than historical information, involve risks, contingencies, and uncertainties that may impact McDermott's actual results of operations. These forward-looking statements include, among other things, statements about McDermott's sustainability targets and the associated timing to achieve those targets. Although we believe that the expectations reflected in those forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct. Those statements are made by using various underlying assumptions and are subject to numerous risks, contingencies, and uncertainties, including, among others: adverse changes in the markets in which we operate or credit or capital markets; our inability to successfully execute on contracts in backlog; changes in project design or schedules; the availability of qualified personnel; changes in the terms, scope or timing of contracts, contract cancellations, change orders, and other modifications and actions by our customers and other business counterparties; changes in industry norms; actions by lenders and other creditors of McDermott and adverse outcomes in legal or other dispute resolution proceedings. If one or more of these risks materialize, or if underlying assumptions prove incorrect, actual results may vary materially from those expected. This communication reflects management's views as of the date hereof. Except to the extent required by applicable law, McDermott undertakes no obligation to update or revise any forward-looking statement.

## REPORTING METHODOLOGIES AND FRAMEWORKS

McDermott's 2021 Sustainability Report is guided by the following international frameworks and best practices:

- [Global Reporting Initiative \(GRI\) Standards](#)
- [Applicable Value Reporting Foundation's Sustainability Accounting Standards Board \(SASB\) Infrastructure – Engineering & Construction Services \(IF-EN\) metrics](#)
- [United Nations Sustainable Development Goals \(UNSDGs\)](#)
- [International Petroleum Industry Environmental Conservation Association \(IPIECA\), International Association of Oil & Gas Producers \(IOGP\), and American Petroleum Institute \(API\) sustainability reporting guidance](#)

## ASSURANCE AND REVIEW

Quantitative data, methodologies, and reporting processes went through an internal review and assurance process led by our Internal Audit and Financial Reporting teams.

Additional information, including our 2020 sustainability report, corporate policies, and other information can be found on our company website: [mcdermott.com](http://mcdermott.com).

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# Our Path Forward



## MICHAEL MCKELVY, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Well before I joined McDermott in February 2022, I knew it was a company that walks the talk to achieve safe, sustainable, and responsible operations. Here, sustainability is intentional, collaborative, and driven by thoughtful engagement with our stakeholders—customers, suppliers, partners, communities, and employees. Together, we are driving positive change and improvements.

### **Almost 100 years of delivering complex projects**

For almost 100 years, McDermott has delivered world-leading and record-breaking projects to provide essential services to support a growing global population. Billions of people depend on the reliable, accessible, affordable, and safe energy we help provide. We recognize that the nature of our business has environmental impacts, and we are firm in our commitment to mitigate environmental impacts and support the energy transition.

### **Our integrated approach to ESG and our customers**

McDermott dedicates our most valuable resource—our engaged and empowered employees—to lead sustainability and decarbonization across the industry. In addition to designing our own programs, McDermott's subject matter experts and experienced EPCI teams create innovative, integrated solutions to help our customers achieve their sustainability goals.

### **Advancing inclusion, diversity, and collaboration**

We are proud to have employees around the world in more than 35 countries, representing over 100 nationalities. Our diversity of nationalities is an incredible strength. The responsible pursuit of sustainable

excellence means reporting when there is still room for improvement, and we have plenty of room for improvement on gender diversity. While this is a challenge across the broader engineering and construction industry, McDermott is focused on inclusion and gender diversity and established an independent Diversity, Equity & Inclusion function in 2021.

### **Social responsibility**

In 2021, we refreshed our ESG governance and leadership, and our teams have set new standards for environmental and social responsibility. Our commitment to our customers, our employees, and the world is to leverage innovation to minimize the impacts of our operations while positively contributing to energy security and the strength and health of the communities in which we operate. Our locally focused and globally integrated team members take pride in considering the unique needs and aspirations of each community to design local hiring, community investment, and stakeholder engagement strategies to create sustainable, long-term benefits.

### **Our report**

This report captures the progress we have made against the tangible targets we set in 2020. I look forward to continuing to report on sustainability and the progress we make as we build the future of energy together.

Sincerely,  
Michael McKelvy





## RACHEL CLINGMAN, EXECUTIVE VICE PRESIDENT, SUSTAINABILITY AND GOVERNANCE

Sustainability is core to McDermott's culture and our strategy. We approach ESG collaboratively with our customers, suppliers, and local communities, and we work to empower our people to take ownership for driving sustainability in all aspects of our business. We offer low carbon solutions to customers and work actively with suppliers to reduce emissions in our own operations and in our supply chain. In 2021, we continued to achieve industry-leading safety performance, diverted 85 percent of global waste from landfill through improved waste management practices, and reduced our overall carbon footprint by 16 percent.

### **We integrate Sustainability throughout our business**

Also in 2021, we integrated sustainability, ethics & compliance, enterprise risk management, legal, and other functions to create a global team dedicated to sustainability and governance. This team, together with representatives from operations, project management, and HSE, brings a holistic approach to ESG and ensures consistent consideration of ESG elements throughout our corporate strategy and across our projects and assets.

### **Meaningful impact in reducing emissions**

With relentless focus on innovation, technology, and our customers' goals, we are working to develop and improve opportunities to decarbonize hard-to-abate sectors and areas. In 2021, we launched our ArborXD digital tool for assessment of low carbon options in project delivery, and we collaborated with key industry partners to study ways to reduce carbon in our operations and develop large scale hydrogen storage solutions. We are also active in numerous academic partnerships and industry groups to further the exchange of knowledge and support innovation.

### **Our report**

We are proud to play an active role in advancing global sustainability. This Sustainability Report shares our 2021 achievements and discusses our approach to environmentally and socially responsible operations and our continued pursuit of our corporate sustainability goals.

Sincerely,  
Rachel Clingman



## 2021 Sustainability Accomplishments and Highlights

**98%** OF ELECTRICITY GENERATION IN OUR BATAM FABRICATION YARD  
**CAME FROM SUSTAINABLE SOURCES**

**100 Million** WORK HOURS WITHOUT A SINGLE LOST-TIME INJURY  
**AT OUR JEBEL ALI FABRICATION YARD**

 **85%** WASTE FROM OUR OPERATIONS  
**WAS DIVERTED FROM LANDFILL**

LAUNCHED OUR **CARBON FOOTPRINT CALCULATION TOOL**

**ArborXD™**

LAUNCHED OUR **Speak Up!** PROGRAM, EMPOWERING ALL EMPLOYEES TO RAISE CONCERNS



**100%** OF NEW SUPPLIERS WERE PRE-SCREENED  
**FOR HUMAN RIGHTS DUE DILIGENCE**

**\$95M** SPEND WITH DIVERSE AND SMALL BUSINESSES

**1.5 Million** SINGLE-USE

PLASTICS ELIMINATED FROM OUR MARINE FLEET

IMPLEMENTED A **Biodiesel Fuel** SITE WIDE IN BATAM

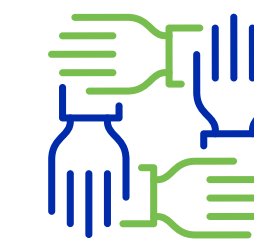
**16%** IN GLOBAL EMISSIONS VS. 2020 BASELINE  
**reduction**

COMPLETED OUR NETZERO SUBSEA STUDY OFFERING EMISSION REDUCTIONS OF  
**up to 90%**

**29%** reduction IN CARBON INTENSITY ACROSS GLOBAL OPERATIONS



**0.12** TOTAL RECORDABLE INCIDENT RATE (TRIR)

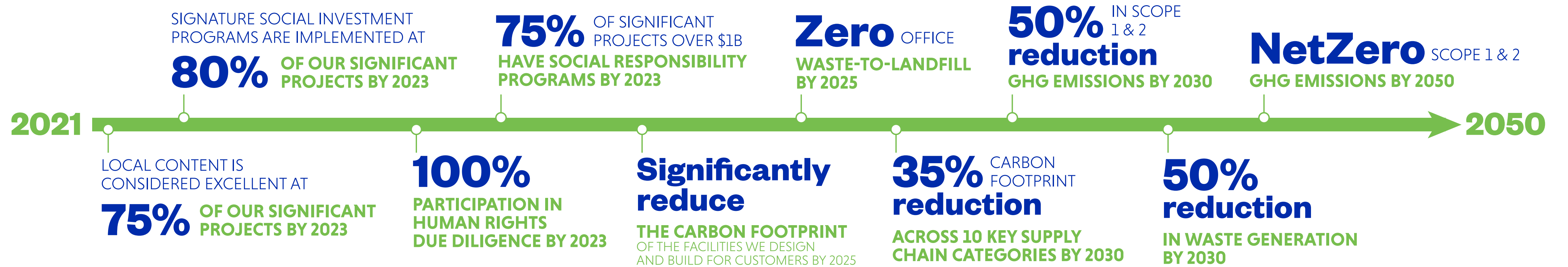


**Local Content** PROGRAMMING IN UGANDA  
PRIORITIZING WORK FORCE AND SUPPLY CHAIN DEVELOPMENT

**Building the world's largest liquid hydrogen sphere**

SUPPORTING NASA'S MOON TO MARS EXPLORATION PROGRAM

## Our Sustainability Goals



# Who We Are

McDermott is a premier, fully integrated provider of engineering, procurement, construction, and installation (EPCI) services for the energy and other industries. Through rigorous impact management processes, we enable our customers to lower emissions and impacts and improve ESG performance in delivering the world's energy and infrastructure projects. Our customers trust our technology-driven approach to guide the design and to deliver the facilities needed today and in the future. From concept to commissioning, our expertise and comprehensive solutions deliver certainty, innovation, and added value to energy and infrastructure projects around the world.



## OUR VALUES

We proudly create and deliver complete, innovative solutions as a trusted global partner, enabling our customers to responsibly harness and transform global energy resources into the products the world needs. Our vision is built upon two essential ingredients: Purpose and Values. This keeps us steadfast and focused on creating a collaborative culture that is primed to seize every opportunity and transform it into success.

We are fully committed to the highest standards of safety, quality, and ethics. The principles that empower our vision are embodied in our five values: **Integrity, One Team, Go Beyond, Well-Being,** and **Commitment.**

 [Learn more about our five values on our Who We Are webpage.](#)

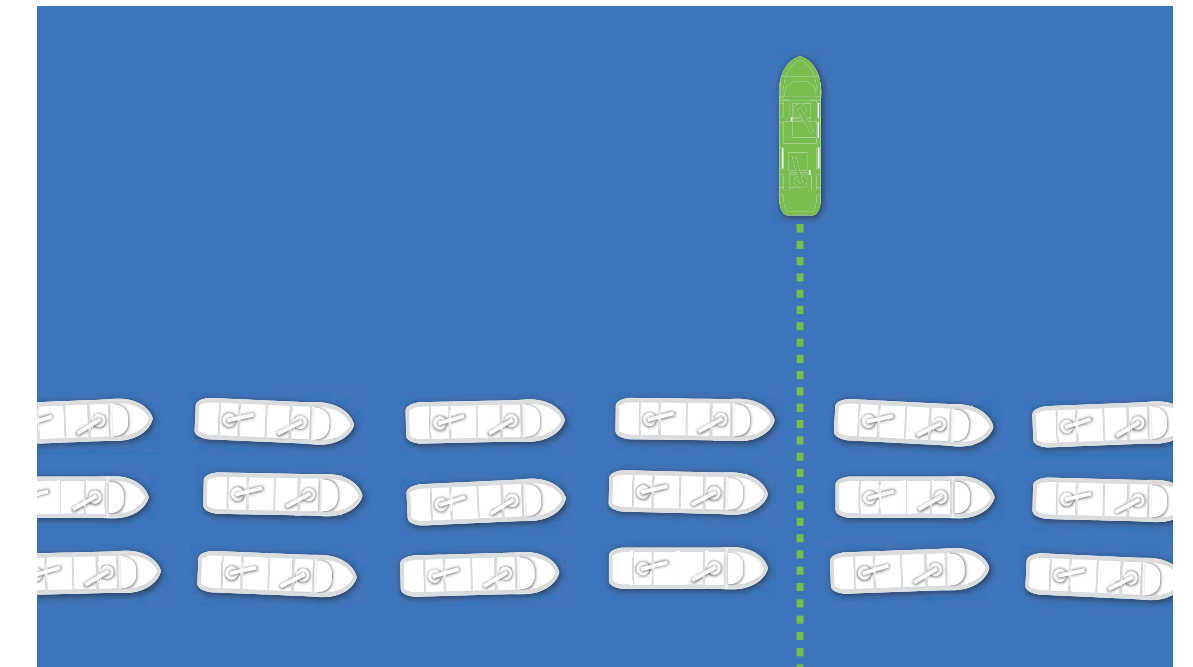


## WHAT SETS US APART

McDermott has a long-standing history and reputation for operating in an ever-changing environment with resilience, innovation, and an unwavering commitment to our customers and advancement of the industry. We are differentiated by our people, who are comprised of locally focused and globally integrated team members. Our industry-leading modularized construction process is delivered through fabrication facilities in key geographic locations, while our diversified fleet of marine construction vessels brings our capabilities and expertise to remote project locations around the world.

As other companies reduce assets, McDermott remains a fully integrated EPCI company with projects sites, customized yards, vessels, and engineering teams. This integration means McDermott can measure, manage, report, and reduce carbon emissions for ourselves and our customers consistently from concept through commissioning. Our system for tracking emissions across locations, project sites, and vessels, creates reliable reporting and enables proactive identification of low emission pathways and reduction of emissions across all stages of our project execution.

In 2021, we focused on developing and enabling new solutions and technologies that build upon our core project delivery capabilities while also taking into consideration our customer and employee expectations of sustainability, decarbonization, and our role in the Energy Transition.





# Delivering the World's Most Challenging Projects

## WHAT WE DO

McDermott's global product line teams are supported by operations and centralized corporate functions to ensure consistent, efficient, and effective governance. Headquartered in Houston and operating in over 35 countries, we are locally focused and globally integrated with more than 25,000 trained and experienced employees bringing hundreds of years of relevant project experience. From concept to commissioning, McDermott's innovative expertise and capabilities advance the next generation of global energy infrastructure—contributing to a brighter, more sustainable future for us all.



## KEY STATISTICS

nearly **100**  
years of operation

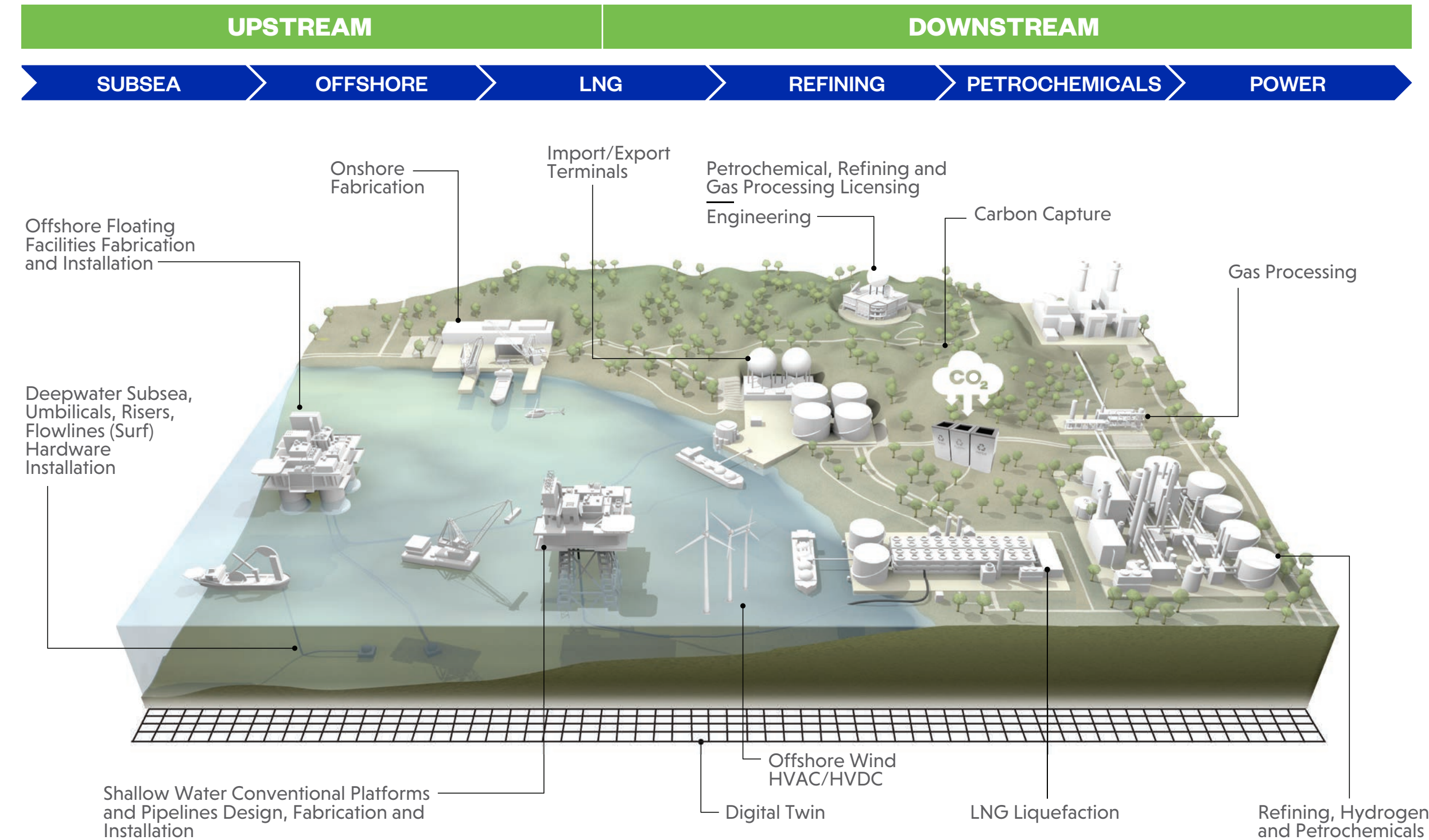
**35** countries

**~25,000**  
employees

**11** fabrication facilities

**9** marine construction vessels

The markets we serve include upstream, refining, chemicals and petrochemicals, liquefied natural gas (LNG), industrial storage, water and wastewater, and energy transition.



 Learn more about us on our [What We Do](#) page on our website.



# Our Approach to Sustainability

McDermott plays a significant role in advancing sustainability and driving the Energy Transition forward through the delivery of EPCI services.

In 2020, McDermott established a series of sustainability goals demonstrating our commitment to strategic, transparent, and responsible ESG as a core element of our corporate values. In 2021, we focused on integrating our sustainability ambitions into operations and project delivery and creating commercial value by positioning McDermott as the right EPCI partner for ESG-aware clients. We base our priorities on client inquiries and areas of focus, existing and anticipated regulatory developments/reporting frameworks, our assessment of materiality, cost-benefit analysis marginal abatement cost curve (MACC), and employee and other stakeholder feedback. We are reflecting on the maturity of our sustainability program and identifying gaps and opportunities, and we are committed to accuracy, candor, and continuous improvement of ESG practices in support of successful business operations.

In 2021, our sustainability strategy remained focused on reducing the carbon intensity of our operating facilities to support low carbon project delivery and meaningful progress towards our emission reduction goals. We focused on accessing renewable energy for our onshore operations and optimizing our use of fuel and energy as a cost-efficient means to decarbonize our business.

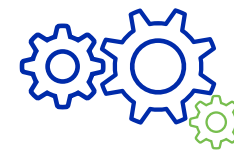
Through our numerous academic partnerships, participation in industry groups, and in-house technical expertise, we cultivate a culture of innovative thinking and transformative design, in developing sustainable solutions to lead the energy transition.



## Board of Directors (Governance Committee)

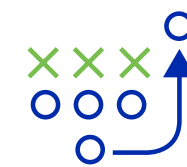
The Governance Committee of the Board of Directors endorses and provides oversight of our sustainability program and long-term strategy.

The Governance Committee reports regularly to the full Board of Directors on ESG matters.



## Executive Committee

Led by our CEO, our Executive Committee oversees setting and achieving sustainability goals, contributes to materiality and risk assessments, and guides our corporate strategy.



## Sustainability Team

Led by our Executive Vice President, Sustainability & Governance, this team brings multiple areas of experience together (including operations, project management, environmental, ethics, and legal) to collaborate across functions and operations. The Sustainability Team identifies opportunities and prioritizes actions.



## Sustainability Community of Practice

These networks of subject matter experts (SMEs), working groups, and employee resource groups (ERGs) further energize and integrate sustainability throughout our organization and progress business, project, and site level sustainability actions.



## Sustainability Leadership Network

Functional and business unit representatives engage on our business and client objectives, needs and progress, and support alignment and execution of global sustainability goals.

## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) MANAGEMENT

McDermott's global operations, actions, and decisions are guided by a single global management system called unifi. We manage ESG matters within unifi and based on policies and processes including:

- [Human Rights and Social Responsibility](#)
- [Environmental Management](#)
- [Quality, Health, Safety, Environment and Security \(QHSES\)](#)
- [Code of Business Conduct](#)

In 2021, we significantly improved our processes and ESG governance with the objective of consistency throughout our organization. Building on our commitment to risk-management and mitigation, we optimized our Enterprise Risk Management (ERM) through a centralized and systematic approach from pre-contract, concept, to completion of our projects. Today, our risk management processes are more streamlined, collaborative, and consistent, enabling us to perform our project work with greater certainty.



To learn more about our ERM approach, please see the [Risk Management](#) section.

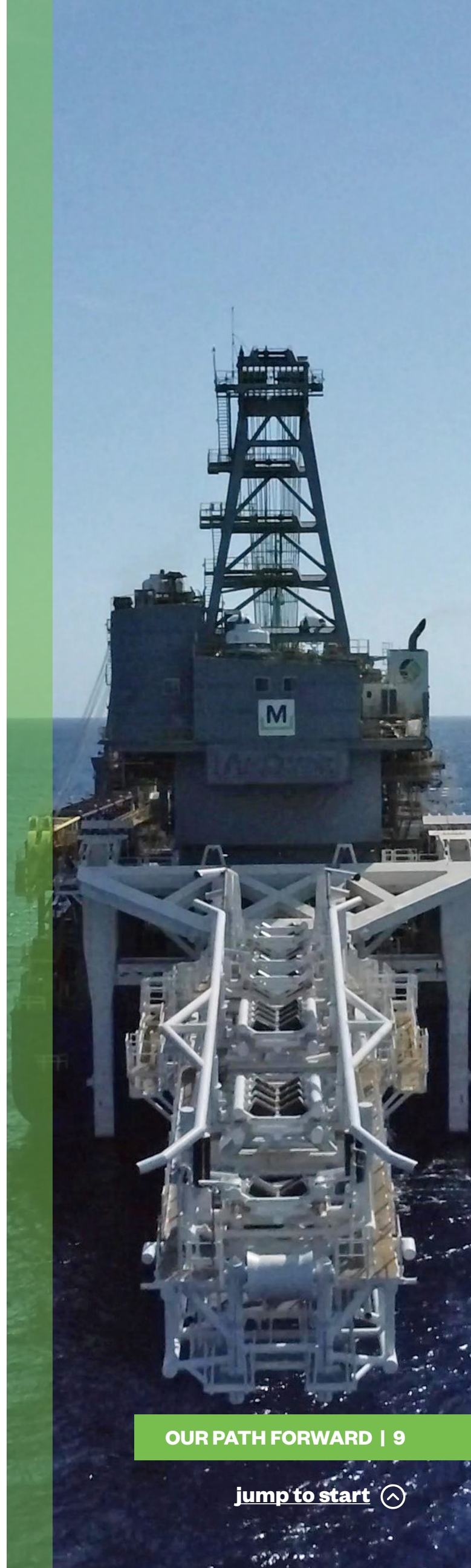
We integrated our Sustainability and Governance expertise into one global function reporting to an Executive Vice President who has proven experience in developing and delivering ESG strategy, improving sustainability performance, and meeting the expectations of external stakeholders. Our sustainability leadership guides initiatives including carbon footprint reduction, reporting, partnerships, and performance. Our integration of expertise, energy, and experience in legal, ethics and compliance, corporate governance, sustainability, human rights, and enterprise risk management teams facilitates strong, integrated risk identification and oversight.

In 2021, we centralized our global sustainability team to include professionals from our operations, project management and delivery, engineering, environmental, and compliance functions to strengthen our execution capability and firmly embed sustainability within global operations. With a diverse and talented global team, strong leadership, and deep subject matter expertise, we believe this integration of areas is an industry-leading approach. In close collaboration with our Energy Transition

teams, this structure elevates our oversight and governance of ESG matters and creates strong integration and connection with our operations teams and commercial disciplines.

We respond to our client and stakeholder interests in ESG and sustainability matters. We believe that robust ESG Management is an integral part of McDermott's unique value proposition and our long-term success. We recognize that ESG performance impacts and supports our ability to be best-in-class for clients, raise capital, recruit and retain talent, and maintain our license to operate.

We recognize and support the world and our customers in moving to lower-carbon energy production, and we have a team dedicated to better understanding our customers' goals and targets. This focus, along with our assessment of materiality and opportunity, focused McDermott on low and zero carbon solutions across the project lifecycle, including sustainable differentiated solutions.



# Materiality

To inform, guide, and continue to improve our sustainability strategy and define our priorities, we conducted a materiality assessment survey and sustainability workshop with key internal stakeholders in the fourth quarter of 2021. We also engaged in workshops, collaborations, and discussions with customers and developed a register to identify ESG topics formally identified by our customers. Understanding our customer’s material ESG topics and goals helps inform our focus areas for 2022. These activities further align McDermott with our customers and guide our assessment of materiality and our priorities. Our Sustainability team intends to conduct a formal materiality assessment every three years to identify ESG risks and opportunities, as well as emerging issues. We plan a less formal materiality review and refresh annually given the evolving and changing landscape of our external environment and our focus on the goals and opportunities of our customers.

Our materiality assessments include, at a minimum, a review of topics significant to the energy and engineering and construction industries, including:

- Guidance and publications from IPIECA, the International Marine Contractors Association (IMCA), Building Responsibly, and other industry organizations
- A review of ESG topics identified by our customers and those covered by industry peers
- Risk and impact assessments conducted for our projects, including both operational and stakeholder impacts
- Employee feedback through sustainability summits, ERGs, and sustainability leads
- Anonymous feedback and grievances received through McDermott or joint venture communication mechanisms

Materiality assessments improve our sustainability management system approach, key performance indicators (KPIs), and strategies to successfully realize our business strategy and meet stakeholder expectations.



## 2021 Materiality Assessment Findings

 <p><b>Maintain</b></p>	 <p><b>Focus</b></p>	 <p><b>Emerging</b></p>
<ul style="list-style-type: none"> <li>• Protecting biodiversity, marine &amp; land environment</li> <li>• Reduction of natural resource consumption &amp; increasing energy efficiency</li> <li>• Handling &amp; disposing of waste responsibly</li> <li>• Waste and circular economy</li> <li>• QHSES</li> <li>• Human Rights</li> <li>• Emergency and crisis management</li> <li>• Wellbeing</li> <li>• Community (external) and stakeholder engagement</li> <li>• Local content</li> </ul>	<ul style="list-style-type: none"> <li>• Reducing greenhouse gas emissions &amp; other pollutants</li> <li>• Supply chain emissions</li> <li>• Low carbon project delivery</li> <li>• Diversity, equity &amp; inclusion</li> <li>• Attracting, retaining, and developing talent</li> <li>• Innovation and digitalization</li> <li>• Cyber security &amp; data privacy</li> <li>• Business Continuity</li> <li>• Corporate governance and board oversight</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitating access to energy</li> <li>• Public policy and lobbying</li> <li>• Supply chain oversight</li> <li>• Enterprise Risk Management</li> <li>• Geopolitical risks</li> <li>• Business ethics and transparency</li> <li>• Impact of energy transition on business model</li> <li>• Climate change risk &amp; resilience</li> </ul>

# Stakeholder Engagement






McDermott teams engage with all our stakeholder groups to meet and exceed their expectations, which is critical to our success. Regular communication with our stakeholders informs our sustainability efforts and successful achievement of our overall business strategy.



KEY STAKEHOLDER GROUPS	MODES OF ENGAGEMENT
<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>Quarterly Board meetings</li> <li>Ad hoc business updates, as needed</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>Regular meetings with account managers</li> <li>Periodic meetings with project management/ leadership teams</li> <li>Visits to fabrication yard or project sites</li> <li>Invitation to tender/ request for proposals</li> <li>ESG questionnaires or surveys</li> <li>Industry or professional association events</li> <li>Standalone ESG engagements</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Employee engagement surveys</li> <li>Annual performance review and professional development plans</li> <li>ERGs</li> <li>Townhall</li> <li>Yammer (internal social media) and INSITE (intranet)</li> <li>Communications and announcements</li> <li>One-on-one meetings</li> <li>Ethics and compliance hotline</li> <li>Exit interviews</li> </ul>
<b>Shareholders/ investors</b>	<ul style="list-style-type: none"> <li>Quarterly earnings calls</li> <li>ESG surveys</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>Selection and contracting process</li> <li>In-person meetings and trainings</li> <li>Regular engagement with supplier category managers</li> <li>Annual supplier evaluation</li> <li>Annual sustainability survey and follow up engagement</li> </ul>
<b>Community Members</b>	<ul style="list-style-type: none"> <li>Regular community engagement and sponsorships</li> <li>Employee volunteering to support local initiatives</li> <li>Partnership with community committees for sustainable development efforts</li> </ul>
<b>Government and Regulators</b>	<ul style="list-style-type: none"> <li>Communication on permitting applications and compliance</li> <li>In-person and virtual meetings</li> <li>Partnership on government workforce development initiatives</li> </ul>

Company representatives are also active in associations and organizations within and beyond the energy industry.

## Key Industry Affiliations and McDermott Participating Role

	<p>McDermott is an active member of the Hydrogen Council to promote collaborative efforts on hydrogen's role in the energy transition.</p>
	<p>McDermott is a sponsor of the EYE, an international non-profit organization that represents more than 350,000 young engineers from all different disciplines.</p>
	<p>McDermott serves on the environmental sustainability committee of the IMCA and collaborates to advance offshore marine contracting environmental responsibility.</p>
	<p>McDermott actively participates in IPIECA initiatives on human rights, environment, supply chain, and climate.</p>
	<p>As part of the Diversity, Equity &amp; Inclusion (DE&amp;I) program refresh, McDermott partnered with Catalyst, a global non-profit organization in the United States to advance DE&amp;I with a specific focus on gender diversity.</p>

# Sustainable Solutions

Customers choose McDermott because we bring expertise and experience in executing complex projects through fully integrated design and delivery. We engage early in a project's lifecycle to have the greatest impact in influencing the design, and we offer innovative solutions that bridge the transition to a sustainable future. We strive to be the partner of choice for responsible and sustainable projects that create long-term value for our customers and stakeholders.

At each phase of the project, our solutions are fueled by the latest technologies, an unwavering commitment to quality and efficiency, and an innovative mindset to make the facilities of the future a reality today. We understand the challenges our customers and communities face as they navigate the global Energy Transition, and we aim to meet demand shifts while reducing emissions. Together, we will build a more sustainable future.





## Climate Change

As we all adapt our behaviors to a changing world, McDermott actively seeks opportunities to engage in pioneering projects that revolutionize the energy industry, setting new benchmarks and paving the way for a more sustainable future. Utilizing our expertise in project delivery, innovative engineering, and owned and operated construction assets, we work with our customers to reduce emissions across the project lifecycle, thereby reducing our climate risk and exposure.

### CLIMATE GOVERNANCE

We recently reviewed and transformed our governance practices to promote innovation, increase global collaboration across areas of expertise, and increase accountability for our climate and sustainability plans and targets. Our creative, passionate, and dedicated employees are also a core part of our climate risk accountability.

McDermott's leadership thoughtfully considers and incorporates climate risk assessment and mitigation planning across our organization. Our Executive Vice President of Sustainability and Governance, Rachel Clingman, is the Executive Enterprise Risk Management (ERM) Sponsor. The ERM Program Team is responsible for regularly

reviewing risks, including climate and energy transition risks, at least quarterly.

Further confirming our commitment, our executive compensation plans incorporate sustainability performance metrics. In 2021, our executive compensation plan included a targeted reduction in carbon intensity. In 2022, demonstrating our commitment to the energy transition and decarbonization, our executive compensation plans include commitments to increase our use of renewable energy for McDermott offices and operations.

## GHG AND CLIMATE RISKS

McDermott is committed to proactively investigating, developing, and implementing sustainable initiatives across our projects and assets. We are reducing energy use and emissions at our offices, project sites, and facilities and reducing waste generation from operations. To protect natural resources, we work to improve water stewardship and use innovative approaches to preserve marine and coastal ecosystems. We are supporting the conservation, restoration, and sustainable use of land. To achieve our goals, our sustainability and operations teams have developed creative and effective tools to support enhanced reporting and sustainable operations.

To track GHG emissions, we collect data from worksites where we have operational control, including our offices, facilities, and vessels, as well as joint ventures where we have at least 15 percent equity. Our marine, fabrication, and construction operation teams work to collect data on fuel, waste, electricity, and other emission sources and have begun using software tools to generate data on Scope 1, 2, and 3 GHG emissions.

There are unique challenges (and opportunities) to achieving low carbon solutions in the construction industry, including remoteness of many construction sites, temporary nature of construction work, and constraints for alternative power sources. We recently launched an internal EPC Decarbonization Taskforce made up of project, construction, fabrication, and environmental specialists to work collaboratively and identify our best opportunities to reduce carbon in operations.

We are actively working with key suppliers on approaches to measure and reduce their Scope 3 GHG emissions. This work identifies opportunities in our supply chain to leverage synergies for both short and mid-term emission reductions, which include steel products, logistics, and equipment.

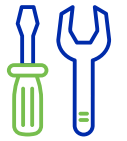
 **For more information about McDermott's risk management practices, please visit our [Corporate Governance](#) section**

## Top 10 Supply Chain Categories

We are focused on ten high impact supply categories to reduce carbon footprint:



**Steel Products**



**Static equipment**



**Logistics**  
(including marine / support vessels)



**Civil Subcontractors**



**Cable**



**Fuel**



**E&I equipment**



**Valves**



**Structural, mechanical, and piping subcontractors**



**Rotating equipment**

# Providing Sustainable Solutions

McDermott has many projects in energy transition and plans to consistently expand that portfolio for future growth. Our work in energy transition makes McDermott part of delivering energy that is sustainable, affordable, accessible, and safe.

McDermott believes a variety of solutions are necessary to decarbonize capital infrastructure at the scale and the pace required to support climate resiliency, while still maintaining accessibility and affordability. We actively partner with customers and other innovators in five areas where we believe we will have the most meaningful impact on providing low-carbon solutions. We look to leverage our decades-long expertise in delivering energy infrastructure to these key low-carbon areas:



NETZERO SOLUTIONS



HYDROGEN



CCUS



OFFSHORE WIND



CIRCULAR ECONOMY



## SMART MODULARIZATION TO DECARBONIZE CONSTRUCTION AND IMPROVE PROJECT DELIVERY:

**Our Gulf Coast Growth Ventures (GCGV) Mono-Ethylene Glycol (MEG) project was executed by a joint venture between McDermott and CTCl. Using our Qingdao McDermott Wuchuan (QMW) and Altimira fabrication yards, we brought our mega-modularization expertise to safely deliver over 14 million hours without a lost-time incident and 30,000 metric tons of modules for the customer. McDermott studies show that with efficient fabrication and smart engineering, modularization achieves a lower carbon footprint of approximately 20 percent.**



### NetZero SOLUTIONS

Our NetZero solutions transform traditional means of energy infrastructure, project engineering, and delivery. From the very beginning of a NetZero solution, we are prepared with design options to lower possible emissions through the construction, commissioning, and operating phases.

Low Carbon Delivery encompasses both sustainable engineering for our customers' operations and meaningfully reducing the footprint of our own fabrication, marine, and construction activities. Our phased approach has been developed to address the project's carbon footprint. This approach includes:

- Tracking emissions through our value chain and various geographies
- Integrating emissions estimates and tradeoffs for embedded carbon, construction related emissions, and operational emissions throughout the project lifecycle

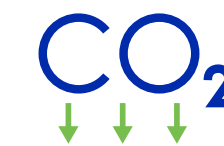
### Decarbonizing Construction One Project at a Time

McDermott's integrated project delivery enables us to proactively identify emission reduction opportunities from concept to completion. In 2021, we signed a memorandum of understanding (MOU) with Shell Eastern Petroleum Pte Ltd (Shell) to collaborate on decarbonizing construction through design decisions.

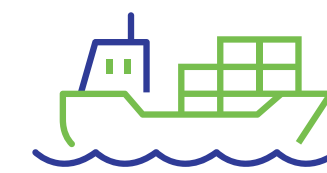
Focused on four workstreams - renewable power, low carbon fuels, marine decarbonization, digitalization and planning, Shell and McDermott intend to leverage our collective expertise and resources to develop solutions that reduce or eliminate emissions from McDermott's global operations.



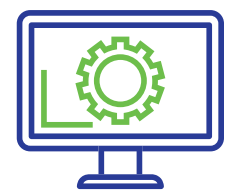
Renewable Power



Low Carbon Fuels



Marine Decarbonization



Digitalization and Planning

Our desired outcome is to create a suite of solutions with an accompanying roadmap to decarbonize the industrial EPCI industry.

### NetZero SUBSEA TIEBACK STUDY:

**McDermott performed a study to adapt topside equipment to allow for CO<sub>2</sub> separation, capture, enabling the offshore post combustion capture of CO<sub>2</sub> with the potential to reduce GHG emissions by up to 90 percent.**

**A subsea factory means that the oil and gas processing occurs on the seabed, rather than on an offshore platform. Lower emissions could be enabled via subsea separation and processing of the produced CO<sub>2</sub> and gas which is then re-injected. The all-electric subsea equipment is powered by low carbon generation.**

The study really showed that even small improvements are meaningful. Right now, we can gather and share this data with customers and partners to empower the industry to improve emissions. Current technology can be used to implement subsea tiebacks, electrification of subsea equipment and carbon capture and storage.

*Julie Ingram, Director of Engineering*

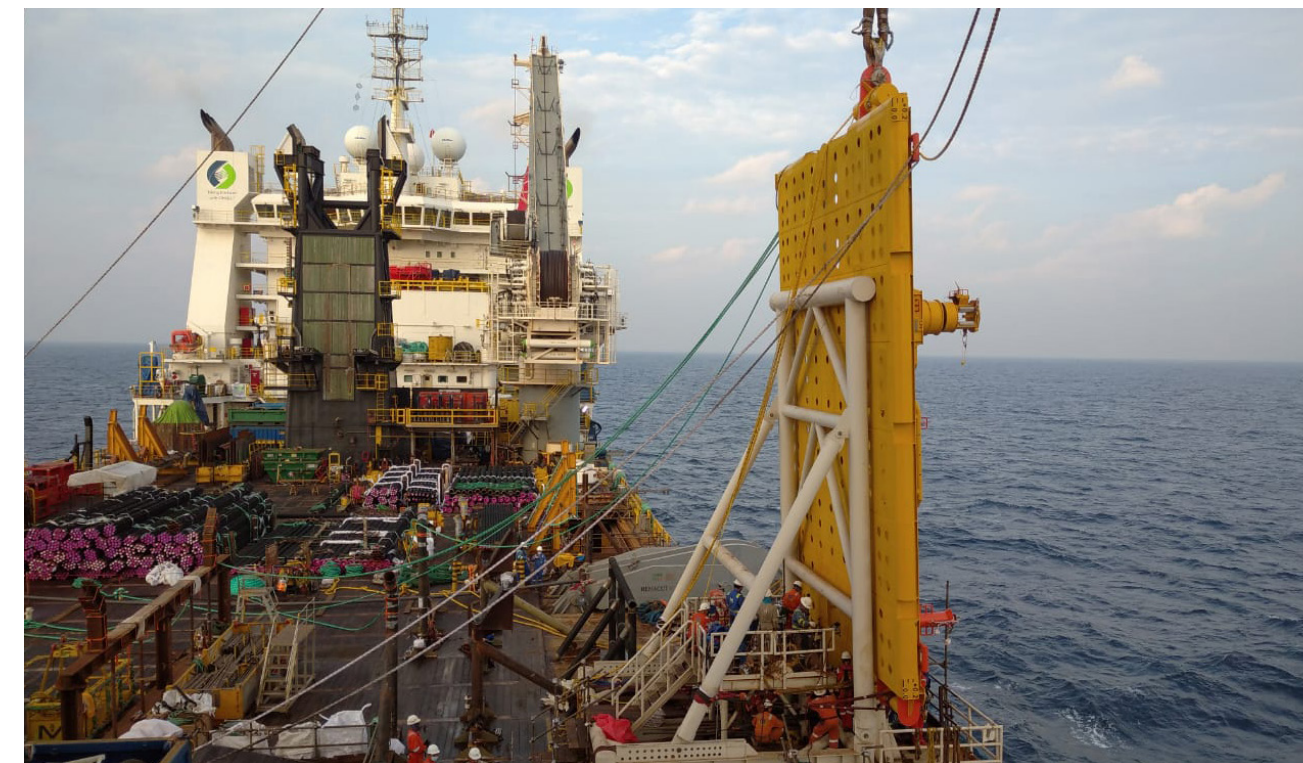
## REDUCING OPERATING EMISSIONS

### NetZero Upstream

Hydrocarbons will be required for decades, and we consider it our duty and challenge to assist in decarbonizing their production now. Our NetZero Upstream solutions combine the industry-leading expertise of McDermott, Schneider Electric, and io consulting to create an opportunity for customers to significantly reduce the impact of their upstream facilities. We have developed multiple pathways to decarbonize upstream oil and gas facilities considering carbon across the emissions lifecycle of a facility:

- Embedded carbon in the equipment and materials
- EPCI emissions
- Operational emissions

We apply a decision-making framework to identify credible and attainable methods for achieving decarbonization including: power import and electrification; renewable micro-grids; integration with hydrogen networks; integrated energy storage; reduction of fugitive emissions; removal of flare systems; facility de-manning and access method; facility monitoring and control (remote operation); engineered offsetting methods (excluding nature-based offsetting); and digital transformation of design and operations.



## LNG

Responsibly produced natural gas is a key aspect of a successful transition to lower carbon energy. To support this transition, McDermott plans to deliver the lowest greenhouse gas emission baseload LNG facility in the world together with Woodfibre LNG. A rigorous baseline analysis of real-time baseload LNG projects allowed us to benchmark existing LNG facilities to develop a NetZero LNG concept using consistent metrics. These solutions are unique to the specific facility and are scalable and applicable to retrofits, expansions, and greenfield facilities, based on location-specific criteria and opportunities.

### WOODFIBRE LNG – REALIZING THE LOW CARBON VISION:

**Woodfibre LNG will be the lowest-emission liquefied natural gas (LNG) export facility on earth, achieved through the adoption of a low-emission philosophy across every element of engineering and design. The facility will use hydroelectricity for the main liquefaction process and includes state of the art technology that enables liquefaction machinery to restart without flaring, a recycling system for “boil-off” gas, and additional transformers, switchgear, and transmission lines. Altogether, this results in the most groundbreaking technical achievement in the world of LNG and sets a new standard for efficient plant design. This next-generation LNG production is in high demand.**

**McDermott’s industry-leading NetZero Modular LNG strategy has been fully utilized during the design development of this advanced onshore gas processing and liquefaction facility with floating storage near Squamish, British Columbia, Canada. The strategy provides multiple pathways through design, execution, and construction to globally reduce operational and project emissions.**

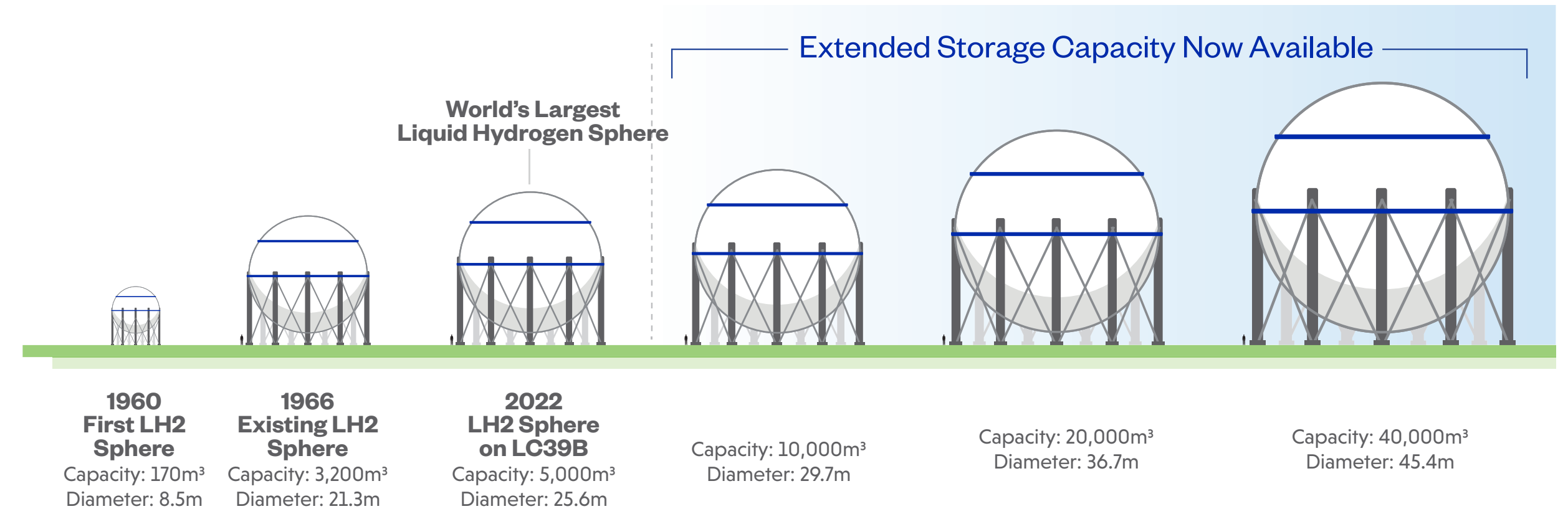
### NetZero Small Scale LNG Peak Shaving

Lower emissions technology solutions will be key drivers in decarbonizing the natural gas sector. McDermott’s storage business, CB&I, is a global leader in Small Scale LNG Peak Shaving plants, having delivered them throughout the world including the first facility in North America in 1965 that is still in operation today. CB&I bring deep experience and learnings from emissions reduction studies. Our emission reduction pathways focus on CO<sub>2</sub> Capture, Boil-Off Gas Recovery, Ambient Air Vaporizers, Liquefaction with Pre-Cooling, and On-demand Flaring. CB&I can reduce emissions up to 40 percent in Small Scale LNG facilities. Through innovation in technology, design, and construction, CB&I balances significant emissions reductions with minimal capital expenditure.

**Implementing CB&I solutions across all LNG peak shaving facilities in the US alone could achieve up to an estimated half a million tonnes CO<sub>2</sub> equivalent reduction annually.**



**Green Hydrogen: CB&I, our storage business, was contracted to carry out EPCI 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.**



CB&I built the first liquid hydrogen sphere in 1960 with the capacity to store 170 cubic meters. Now, we are building the world’s largest liquid hydrogen sphere for NASA in Cape Canaveral, FL. With the capacity to store 5,000 cubic meters of liquid hydrogen, the completed sphere will support NASA’s Moon to Mars Exploration Program.

CB&I continues to unlock even greater potential in this field with the completion of the conceptual design for a double-wall sphere with a storage capacity of 40,000 cubic meters (m³), approximately eight times larger than the one currently under construction for NASA.

Additionally, the U.S. Department of Energy (DOE) has selected a Shell-led consortium—whose member companies include CB&I, NASA’s Kennedy Space Center, GenH2, and the University of Houston—to demonstrate the feasibility of large-scale liquid hydrogen storage in ranges upwards of 100,000 cubic meters. This public, private, and academic endeavor will support the goals of the DOE H2@Scale and Hydrogen Shot initiatives, bringing stakeholders together to reduce the cost of clean hydrogen and advance its role in the energy transition.



## HYDROGEN

With more than 300 hydrogen projects executed across multiple industries, McDermott is a proven leader in renewable and low-carbon hydrogen with experience across the hydrogen value chain in production, liquefaction, and storage. We advance hydrogen development globally through key initiatives and partnerships.

### Key Initiatives:

- Water Electrolysis Manufacturers for Renewable Hydrogen Production
- Methane Reforming Licensors
- Carbon Capture Technology to produce low-carbon Hydrogen
- H2@Scale Texas and Beyond
- Center for Future Energy
- Renewable and Low-Carbon Hydrogen Hubs H2Houston and Bacton Energy Hub
- Member of Hydrogen Council



### Key Partnerships:

- U.S. Department of Energy (DOE)
- Massachusetts Institute of Technology (MIT)
- University of Texas at Austin (UT)

### LIQUID HYDROGEN AT SCALE:

**CB&I continues to advance our cryogenic storage technology to safely scale-up capacity thresholds in order to meet the increasing demand for liquid hydrogen storage—which will play a critical role in supporting a large-scale hydrogen economy.**



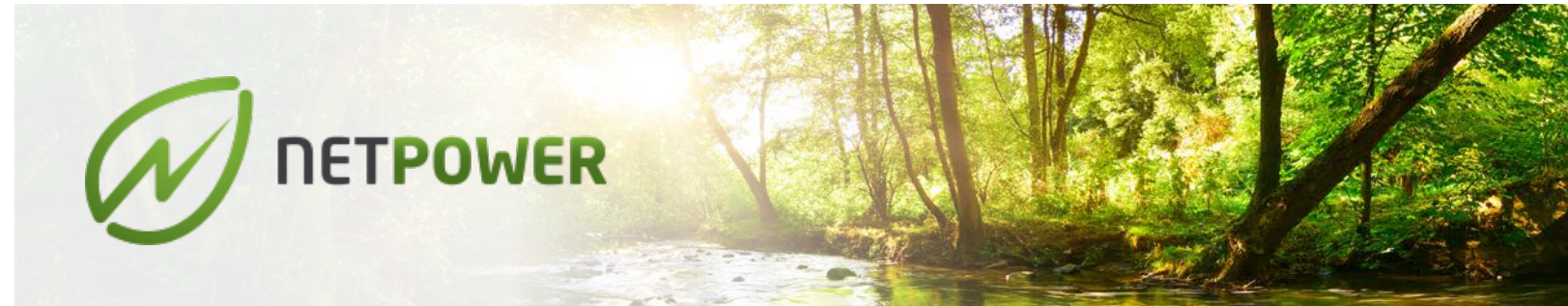
## CIRCULAR ECONOMY

Circular economy supports the enhancement of sustainability in the construction industry through systems, tools, and materials that work to eliminate waste. We use our industrial project experience to bring focus on advancing recycling and renewable fuel projects that align with our core expertise and growing customer needs. The world is demanding that better use is made of the resources we have available to us. This includes the re-use of many products that we utilize in our day-to-day lives. This requires new chemistries, processing techniques, and the ability to build these facilities in both pilot plant size and at scale. We offer a range of services from feasibility and concept studies to integrated EPCI, including smart modularization and low-carbon EPCI for biochemicals, renewable fuels, waste to value (eg., fuel, energy), and advanced recycling, helping our customers accelerate their energy transition goals.



## CARBON CAPTURE

McDermott brings extensive experience in carbon dioxide (CO<sub>2</sub>) capture, utilization, and storage (CCUS) applications. We have delivered more than 200 projects with carbon separation and capture and completed approximately 50 liquid CO<sub>2</sub> storage projects. Our technological experience coupled with smart partnerships and over 40 years of experience in CCUS uniquely positions us to support carbon capture projects. A focus on innovation and research and development enables us to identify ways to develop capture, treatment, and compression modules. These efforts can find new applications for carbon dioxide and use modular carbon capture for greenfield retrofit applications.



### NET POWER:

**NET Power developed a novel power system that produces low-cost, reliable, and flexible electricity from natural gas, with no atmospheric emissions. This includes carbon dioxide capture with no nitrous oxide production. NET Power has the potential to provide carbon-free, affordable, and flexible power from natural gas. McDermott was an owner of NET Power along with Exelon Generation, 8 Rivers Capital, and Oxy Low Carbon Ventures until April 2022.**



## OFFSHORE WIND

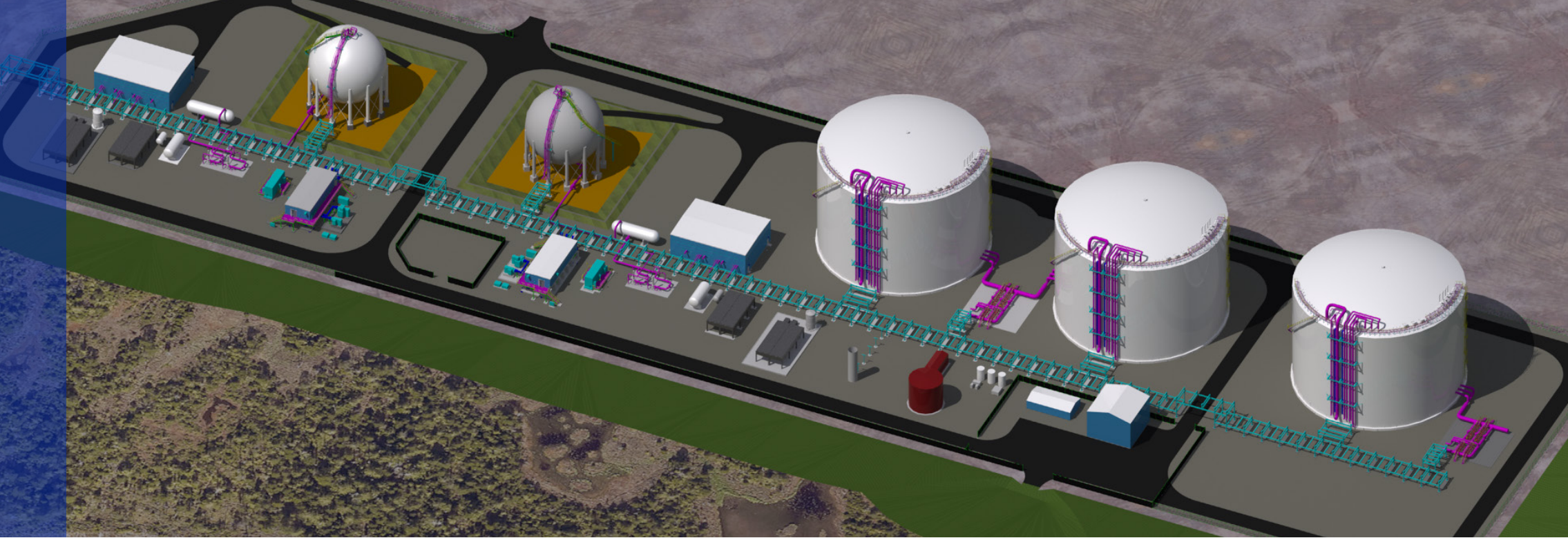
McDermott is strongly positioned to support offshore wind projects from concept to completion and is focused on high-voltage direct current (HVDC) and the large-scale high-voltage alternating current (HVAC) substations. Our integrated EPCI delivery model, combined with nearly a century of experience executing some of the most challenging offshore projects in the world, make us ideally suited to support this growing market.



### AQUAVENTUS CONSORTIUM TO ADVANCE OFFSHORE WIND-TO-HYDROGEN PRODUCTION:

**In 2021, we joined AquaVentus, a growing consortium of more than 70 companies, organizations, and research institutions collaborating toward green hydrogen energy production in the North Sea. AquaVentus unites international industry leaders with a shared vision for advancing hydrogen's role as a low-carbon, affordable energy solution, combining their unique expertise to make that future a reality. We will bring our long history of thinking differently about energy delivery and unrivaled expertise in offshore infrastructure to this collaborative group of industry leaders pushing forward the energy transition.**





## Innovation and Digitalization

At McDermott, we are continuously innovating with the objective to be a recognized industry leader in cutting-edge and complex project delivery. We pride ourselves on fostering and maintaining a culture of innovation that leads the industry while improving safety, reliability, and performance.

We are reimagining traditional engineering design to incorporate leading edge technologies. McDermott's digital project delivery initiative includes artificial intelligence (AI) and machine learning to identify risks and opportunities, and reduce environmental and social impact of our projects globally. Through the development and implementation of these tools, McDermott enables our people to increase efficiency and processes that support project delivery.

### FOSTERING INNOVATION IN THE WORKPLACE

We empower our people to innovate and identify new solutions that solve market and sustainability challenges by evolving our digital-ready culture through education, upskilling, and engagement.

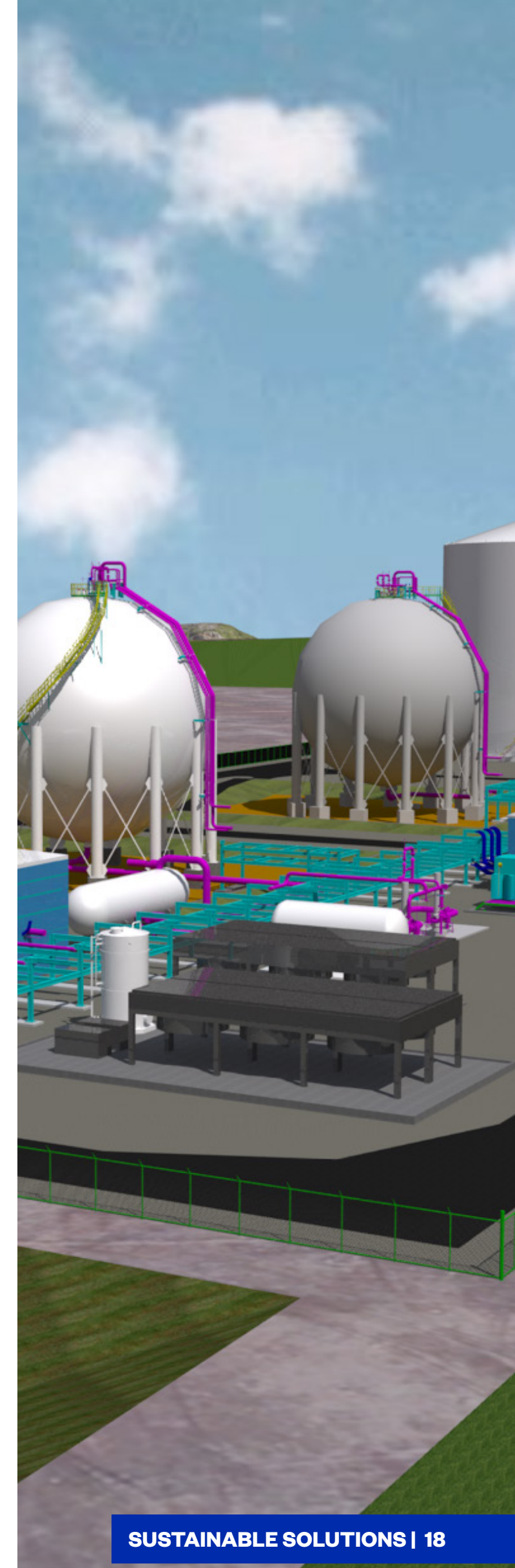


Energy transition is part of the future of our industry, and it's amazing how the momentum to greener projects and products has accelerated within a relatively short span. Digital technologies are foundational in the development of Energy Solutions and facility operations, and the confluence of digital and energy transition will be a major part of McDermott's business in the coming years.

—Vaseem Khan, SVP Global Operations

## Innovation in the Workplace

- 1 Our Digital Culture Program raises awareness of digitalization and equips our workforce with the knowledge to use digital tools more effectively.
- 2 Our Center for Knowledge Management, Innovation & Research (KMIR) focuses on developing innovative, digital, and differentiating technologies to deliver world-class projects.
- 3 We use our Global Expert Network (GEN) to identify technical authorities (TAs) and subject matter experts (SMEs) across the company. In 2021, our 15 TAs and 114 SMEs worked together to conduct knowledge sharing sessions on each active Community of Practice (CoP) to provide training and develop awareness of new trends.
- 4 We hold an annual External Design Competition in partnership with European Young Engineers (EYE). It is focused on using Artificial Intelligence (AI) for matters related to sustainability and corporate social responsibility. When an innovative design is identified by our External Design Competition, we work to further develop the design.
- 5 Started in 2018, our Non-Metallic Initiative supports the development of new non-metallic products, to replace traditional metallic products, that are commonly installed in our projects. Examples include storage tanks, J-tubes, or subsea valve manifolds. The adoption of non-metallic alternatives enables optimization of lifecycle carbon footprint and NetZero offering for our clients.
- 6 Our Internal Design Competition enables innovation and sustainable solutions for our customers and end users. The design teams represent diverse people, offices, and geographies that independently produce unique outputs and possibilities that form a pipeline for innovation and use cases that serve all aspects of business. We incorporate the best ideas into our sustainable solutions for our customers to reduce their carbon footprint, optimize marine construction, and improve energy efficiency. In 2021, the winning design came from our team in Gurgaon, which developed an innovative design for an electrolysis plant with a capacity range between 200 to 300 megawatts. The design adapts various electrolysis technologies available in the market to be standardized, scalable, and modularized in order to improve the competitiveness of renewable Hydrogen.
- 7 McDermott is also committed to driving a culture of innovation within the communities where we work. In 2021, we supported 12 academic projects in partnership with 5 universities across 10 countries on a range of topics including subsea equipment design, AI, machine learning, and material science.



## UNIVERSITY COLLABORATION - TU DELFT

Since its inception in 2019, The Delft University of Technology (TUDelft) Business Challenge has facilitated the exchange of ideas between students and McDermott employees in a quest to find innovative, sustainable solutions for the challenges faced in our industry. The theme of this year's event was The Facility of the Future with a focus on onshore downstream facilities. Students were invited to explore solutions that could lower McDermott's overall carbon footprint when developing a new facility.

TEAM	2021 IDEAS
<b>Team 1</b>	Methanol production facilitated by CO <sub>2</sub> hydrogenation. CO <sub>2</sub> is to be recovered from a CCUS facility while H <sub>2</sub> is obtained from an electrolyser. Unreacted CO <sub>2</sub> is to be re-captured and re-used or stored.
<b>Team 2</b>	A CCUS facility offering multiple applications for captured CO <sub>2</sub> . Primary application to be production of cured concrete with CO <sub>2</sub> in partnership with specialized firms such as Carbicrete.
<b>Team 3</b>	A carbon-based take on the novelty of the subscriber society. A carbon capture service aimed at light industry and large office complexes or warehouses. A monthly subscription yields an installed, maintained, and remotely operated container-sized CCS system, which reduces carbon footprint.

Each year I am amazed at the creativity and originality we see in this competition. The format of the event may have been different this year, but that did not hinder the quality of the ideas. I was extremely encouraged by the commitment from both the students and employees alike. Thank you to everyone involved in making this such a great success.

– Joris Haesaerts, Senior Director Engineering

### SMART INVENTORY SYSTEMS TO REDUCE CARBON FOOTPRINT:

In collaboration with the European Young Engineers (EYE), we sponsored a global 'AI in Sustainability' competition. The winning project involved the implementation of AI in inventory control. The Smart Inventory system can eliminate the over purchase of consumables to reduce material waste and emissions generated in process output. The AI is being considered to predict consumables use based on fabrication schedules as well as items that are seldom used. This process has potential to reduce warehouse space, material waste, and supply chain inefficiencies, thereby reducing emissions.

## DIGITAL PROCESSES AND TOOLS

We are strategically investing in collaborative work processes and systems via integrated end-to-end toolsets. This includes selectively using virtual reality and augmented reality for 3D model reviews and supplier inspections, respectively. By exploring opportunities in AI to maximize efficiency in repetitive tasks, we are gaining insights and continuously improving process through the use of large sets of data.

In 2018, we launched our first Digital Innovation Center in Pune, India, to develop and utilize innovative digital solutions to lead the transformation in energy industry capital projects. The center serves as a technology epicenter to foster and support McDermott's global digital initiatives.

### Summary of Digital Tools and Processes

INITIATIVE	CAPABILITIES
<b>GeminiXD</b>	Project digital twin enables more efficient cross-functional collaboration between project sites, stakeholders, and suppliers. GeminiXD increases visibility of the status of items throughout project execution, reduces travel through increased collaboration, and provides a central digital thread for the project and its assets.
<b>SubseaXD</b>	SubseaXD supports more efficient installation of subsea fields with lower risk. It also allows for optimization of field layouts, reducing both materials and corresponding emissions, subsequently increasing energy efficiency and reducing the carbon footprint of vessels and marine works via optimized planning.
<b>ArborXD</b>	ArborXD is a web-based tool that supports carbon-conscious decision making for energy customers seeking pathways to net-zero operations through reducing carbon emissions across the project lifecycle. It provides data collection, estimation, and reporting on the potential carbon impact of energy facilities before construction begins.
<b>ReCo tool</b>	This AI tool is used to identify engineering errors, subsequently improving overall industrial plant design safety and project costs by reducing engineering manual work. ReCo is a developed AI solution that assists engineers and designers by highlighting graphical design errors and facilitating manual checks

The energy industry of today is a complex integrated set of operations and value streams. McDermott has supported the energy industry transformation over decades of successful project delivery. Based on our journey, McDermott has deep acumen and understanding of the complexities of the energy industry value chain. We use this expertise to enable carbon conscious decision making at the earliest stages of a project.





ArborXD™

**ArborXD:**

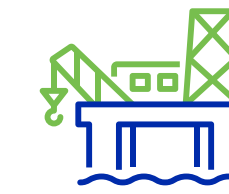
In 2021, McDermott launched the ArborXD tool to further our vision to digitalize the energy industry while driving towards decarbonization goals. ArborXD is a web-based platform that supports net-zero project delivery at every stage from concept to completion by consolidating our years of engineering know-how and relevant standards for carbon footprint estimation at each stage across the project lifecycle.

ArborXD is deployed prior to construction to analyze potential carbon impacts. Available across all project lines, greenfield, and brownfield project phases, ArborXD empowers our customers and McDermott to engage on sustainability from the outset and make informed choices about opportunities to reduce carbon emissions, seek alternative solutions, and measure reductions against sustainability targets.

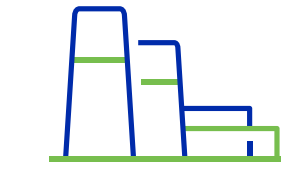
Reducing emissions across four product lines: LNG, upstream, refinery, and petrochemicals.



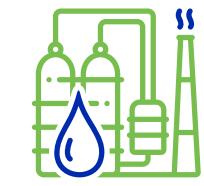
LNG



Upstream



Refinery



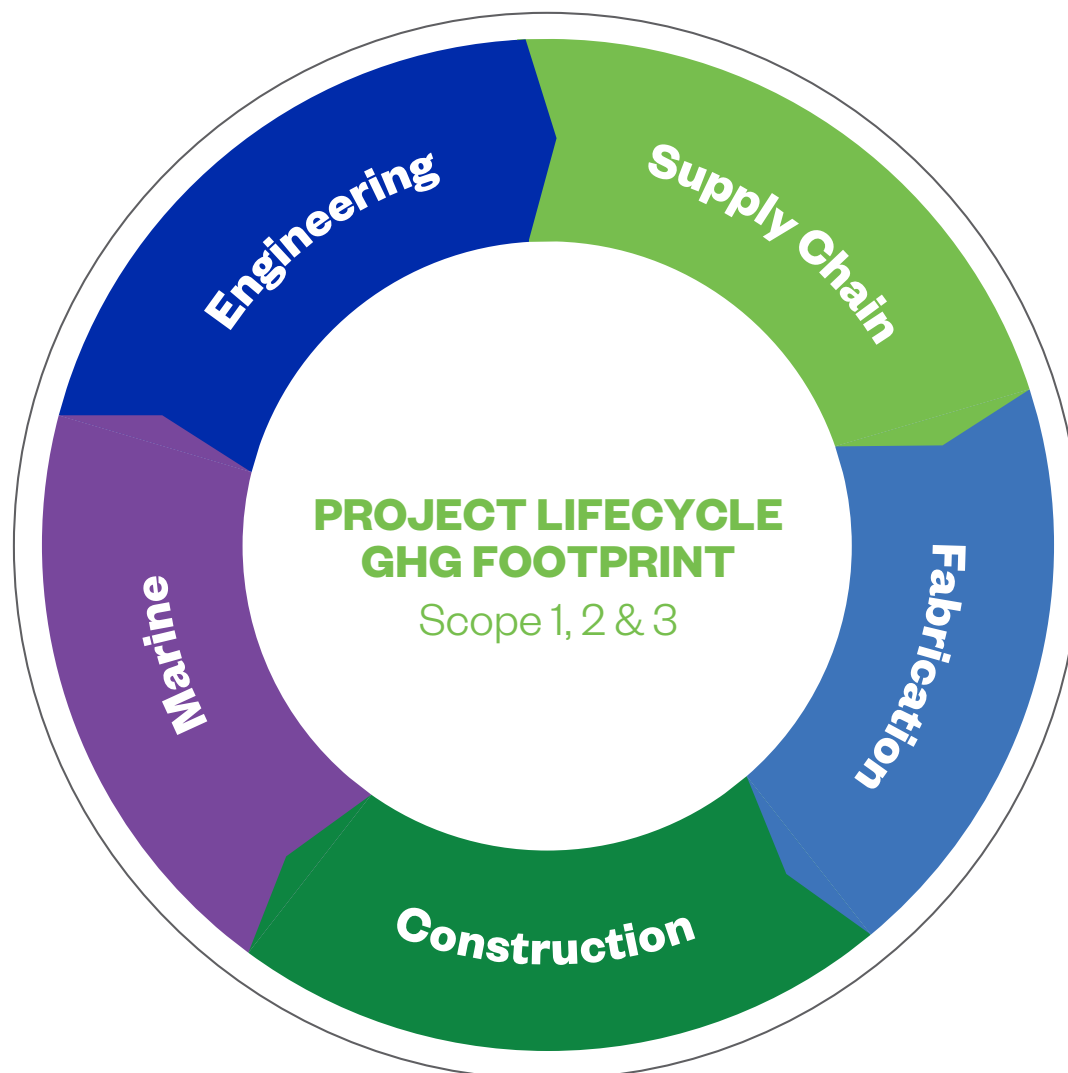
Petrochem

**Estimating Emissions Across the Project Lifecycle**

Establish baseline for the engineered facility operating emissions, with comparison of carbon intensity using benchmarking functionality

Optioneering function enables early identification of decarbonization pathways and supports customers in reducing their carbon footprint

Estimate the emissions of the marine execution phase using McDermott and third-party vessel specific fuel consumption rates



Reduced embodied carbon footprint through material and equipment selection based on supplier specific data

Reduce the carbon intensity of the EPCI execution phase through selection of low emissions pathways

Estimate the Fabrication and Construction execution emissions using site specific data



**01** Establishing baseline and measuring reductions for estimated carbon footprint of customer facilities

**02** Ensuring accurate and timely response to engineering carbon footprint inquiries and requirements

**03** Informing McDermott's annual sustainability report to stakeholders and benchmarking internal performance

**04** Measuring progress on sustainability goals and achieving our 2025 target to reduce customer footprint by product line

**05** Supporting customers to reduce their carbon footprint and achieve net zero operations



# The Pivot Point

McDermott not only offers expertise in project delivery downstream to new energy projects, but we also pivot our focus upstream to our suppliers and offer our optimization expertise to minimize emissions across the value chain.

### PARTNERSHIP WITH UPSTREAM STEEL SUPPLIERS:

In 2020, we conducted a survey to assess our suppliers' awareness of sustainable solutions. We learned that carbon reduction initiatives had not yet surfaced as a priority for many. We invited key steel suppliers together in 2021 to discuss collaborating on carbon reduction strategies to provide full circle sustainable solutions to our customers.

Moving forward, we will work in partnership with 50 suppliers to learn about their sustainability goals and how they measure carbon reduction, in absence of a uniform measurement system. This will provide McDermott a consistent way to compare suppliers, ultimately helping us deliver the lowest carbon suppliers for our customers.

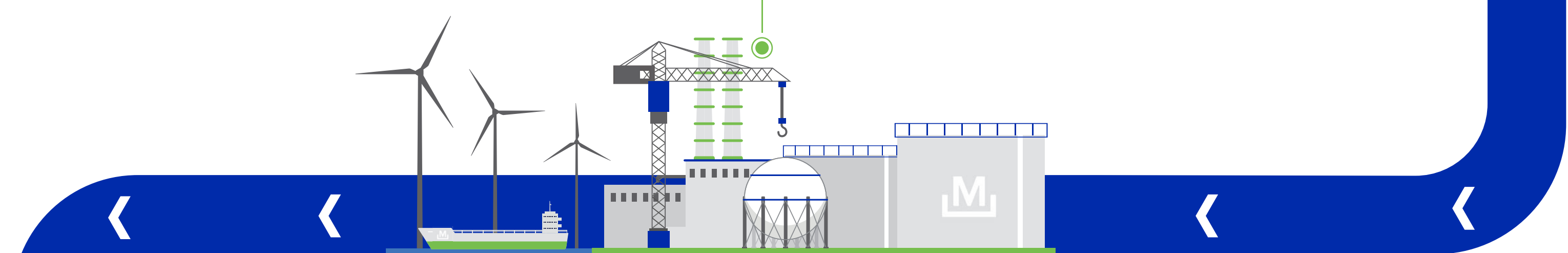
## OUR UPSTREAM SUPPLIERS

Steel Supply & Production



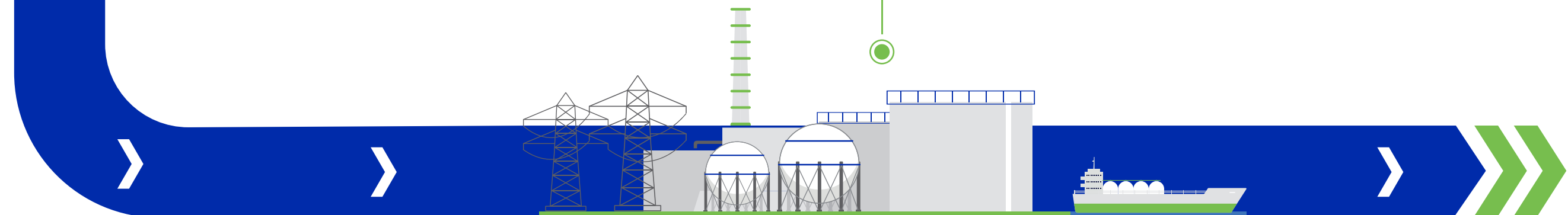
## McDERMOTT'S OPERATIONS

Energy Infrastructure Fabrication & Construction



## OUR CUSTOMERS' PROJECTS

Energy Delivery



# Environmental Management

## WHY IT MATTERS

We understand the importance of minimizing the environmental impacts of our global operations and commit to reducing our environmental footprint and improving resource efficiency.

## HOW WE DO IT

Our approach to managing environmental risk and minimizing our impacts is governed by an Environmental Management System that conforms to the ISO 14001:2015 Standard. This system addresses environmental aspects and impacts to identify risks associated with our operations, controls to mitigate them, and compliance with applicable environmental laws and permits.

## WHERE WE'RE GOING

McDermott continues to further our commitment through the following guiding principles:

- Increasing our use of renewable energy across our operating sites through the use of onsite solar panels and/or grid sourced renewable energy
- Identify opportunities to optimize use of energy or fuel consumption through the use of digital technologies and/or behavioral changes
- Reduce generation and disposal of waste through improved waste management planning
- Reduce consumption of natural resources, namely water, through enhanced recycling practices

**TARGETS**

<b>50% reduction</b> in waste generation by 2030.	<b>Zero office</b> waste-to-landfill by 2025.	<b>50% reduction</b> in Scope 1 & 2 GHG emissions by 2030.	<b>Net Zero</b> Scope 1 & 2 GHG emissions by 2050.	<b>35% reduction</b> carbon footprint across 10 key supply chain categories by 2030.
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Environmental stewardship is a key responsibility of sustainable operations. We believe we can have a significant impact in the global Energy Transition through how we provide services and deliver projects for our customers. Overall, as an EPCI contractor we must identify opportunities to reduce GHG emissions across our operations to deliver projects with the lowest carbon EPCI footprint possible. All McDermott sites are required to complete an Environmental Aspects and Impacts Assessment, which includes controls for impacts. The aspects and impacts considered as part of this assessment cover a range of environmental matters, including:

- Use of energy, materials, and other resources
- Water and waste management
- Impacts to land, flora, fauna, wildlife, and other ecosystems
- Pollution prevention
- Air quality management
- Chemical management
- Spill prevention, control, and countermeasures (SPCC)

Based on each environmental aspects and impacts assessment, our management team establishes controls and strategies to reduce, prevent, and mitigate impacts to protect environmental resources.

## GHG Emissions



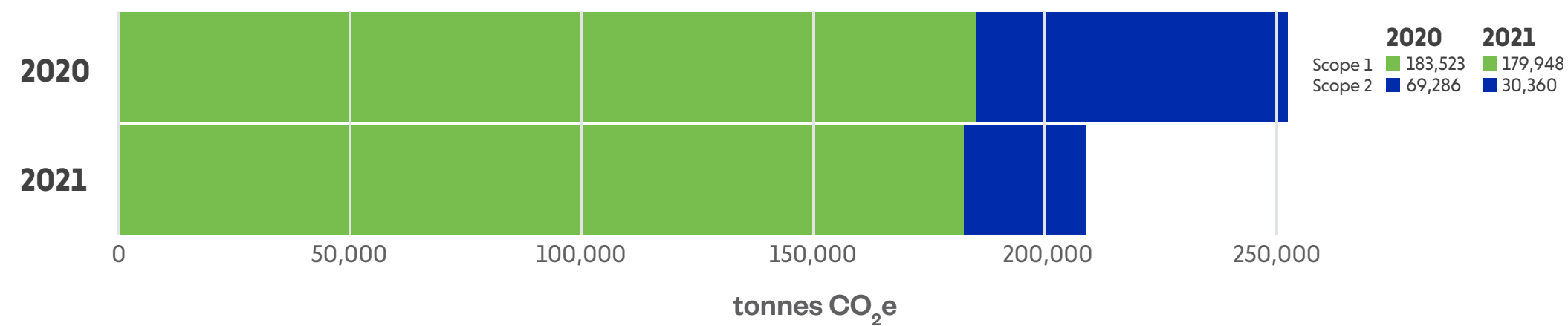
McDermott's position as an integrated EPCI company with customized sites, yards, vessels, and project teams uniquely positions us to measure, control, report, and reduce our carbon emissions consistently from concept through commissioning. Our program to track GHG emissions across locations, project sites, and vessels creates reliable reporting and improves emissions-reduction strategies for our suppliers, through to our operations and customers.



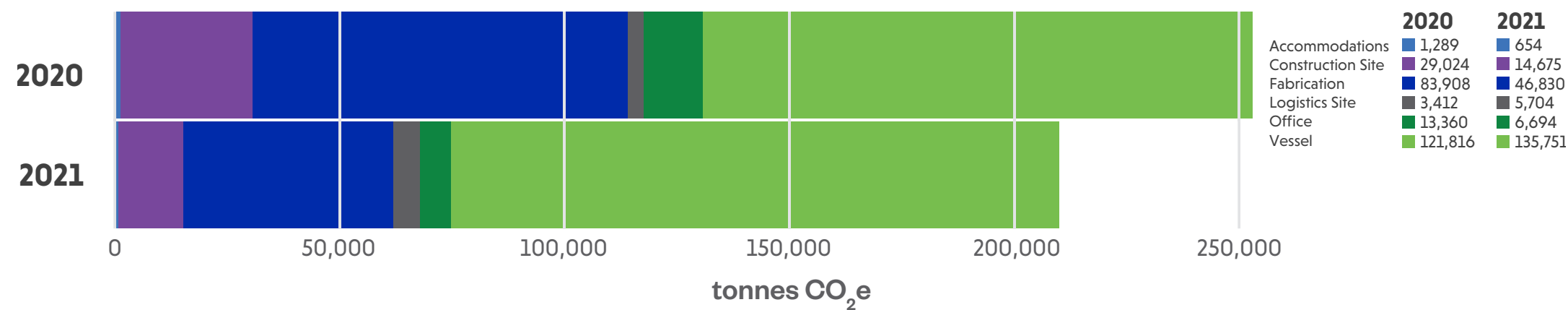


We set an internal target incorporated into our executive compensation to reduce our operations carbon intensity by 5 percent from the 2020 baseline. In 2021, we reduced our overall carbon intensity from 3.77 tonnes of CO<sub>2</sub>e/1,000 workhours to 2.70 tonnes of CO<sub>2</sub>e/1,000 workhours. This is a 28.5 percent reduction in overall carbon intensity for the year. Globally, fabrication activities emissions were reduced due to implementation of sustainability initiatives such as sourcing renewable energy power. Overall Construction and Fabrication GHG emissions intensity was reduced from 1.62 tonnes CO<sub>2</sub>e/1,000 workhours in 2020 to 1.13 tonnes CO<sub>2</sub>e/1,000 workhours in 2021. This represents a 30 percent reduction in GHG intensity for the year. Marine carbon intensity declined in 2021 due to an increase in project activity and improved vessel utilization. The marine vessel GHG intensity globally reduced from 5.76 tonnes of CO<sub>2</sub>e/hours of operation in 2020 to 4.14 tonnes of CO<sub>2</sub>e/hours of operation in 2021, a 28 percent reduction for the year.

**Total Scope 1 and 2 Emissions by Year**



**Total Scope 1 and 2 Emissions by Source by Year**



**In 2021, we reduced our overall carbon intensity from 3.77 tonnes of CO<sub>2</sub>e/1,000 workhours to 2.70 tonnes of CO<sub>2</sub>e/1,000 workhours. This is a 28.5% reduction in overall carbon intensity for the year.**

**McDermott's Decarbonization Strategy: Marginal Abatement Cost Curve**

In 2021, McDermott developed a marginal abatement cost curve (MACC) to identify sustainability initiatives with abatement potential organized by economic cost. The MACC was developed to provide initial framing and help prioritize decarbonization options for further evaluation by grouping data and inputs and providing a broad cost/benefit overview. We used the results of the MACC to identify global "move forward initiatives" that form the basis of our decarbonization strategy in 2022. Examples of initiatives evaluated include installation of onsite solar panels, accessing renewable energy via power purchase agreements or energy attribute certificates, compressor optimization, electrification of site vehicles, and conversion from onsite diesel generated to grid power.

**MACC – Informs McDermott's Decarbonization Strategy and Priorities**





### SCOPE 3

#### Supply Chain Emissions

In 2020, we identified our top 10 categories of suppliers to establish our baseline emissions and refine our methodology for calculating Scope 3 supply chain emissions. We have set a goal to reduce our supply chain GHG emissions by 35 percent over 10 categories - steel products, static equipment, logistics (including marine support vessels), civil contractors, cable, fuel, E&I equipment, valves, structural mechanical and piping subcontractors, and rotating equipment.

In 2021, we performed a spend-based assessment of our purchased goods (Scope 3, category 1) emissions. This helped us to verify our top emissions sources in the supply chain through an input-output analysis of our supply chain spend. Further to this, we developed an internal embedded carbon calculator to support project teams in performing embedded carbon (Scope 3) estimates of project design Scope, to make more informed decisions around material selection and to reduce the project embedded carbon footprint.

In the 2020 sustainability report, we disclosed Scope 3 emissions estimates related to business travel, offsite waste treatment, and electricity provided by customers or subcontractors. Over the last year, our teams have worked to align our Scope 3 calculation and tracking methodologies to the GHG Protocol across the business. We look forward to disclosing robust Scope 3 emission data across all material categories of the GHG Protocol in the future.

#### Downstream Emissions

In 2021, McDermott launched our ArborXD tool that we will use to track our downstream Scope 3 emissions (customer's operating emissions). We plan to use the ArborXD platform to forecast and reduce the emissions of at least three projects in 2022.

 [To learn more about ArborXD, please visit the Innovation and Digitalization section of the report.](#)

## Energy Use

McDermott is committed to greening our integrated global fabrication facilities by increasing the percentage of renewable energy on-site, thereby reducing Scope 2 emissions.

### FOCUS ON RENEWABLE ENERGY

In 2021, McDermott engaged Schneider Electric to conduct a renewable energy assessment of our four major fabrication facilities. The assessment identified opportunities to reduce our Scope 2 greenhouse gas emissions through a variety of strategies. We evaluated onsite and offsite renewable energy supply through installation of solar panels, energy attribute certificates, and power purchasing agreements. The results of this study led to immediate actions in 2021 at our Batam fabrication yard, which accessed renewable energy through energy attribute certificates. We have integrated other recommendations from the study into our long-term renewable power strategy. Our executive compensation plans include commitments to increase our use of renewable energy for McDermott offices and operations.

To further action the results of the renewable energy assessment, in 2021 we established our Renewable Energy Coalition, a global group of operations personnel focused on implementing renewable energy through our sites. The coalition also provides a platform to share knowledge, lessons, and best practices via a support network focused on renewable energy implementation.

#### Energy Purchased by McDermott

YEAR	TOTAL ELECTRICITY	TOTAL FUEL
2020	129,481 MWh*	720,194 MWh*
2021	109,535 MWh	702,000 MWh

\*Numbers corrected from 2020 report (electricity 2020 reported: 124,501 MWh; fuel 2020 reported 48,436,314 liters)

**In 2021, we reduced electricity consumption by 15 percent and fuel consumption by 3 percent.**



## Spotlight: Batam Fabrication Yard

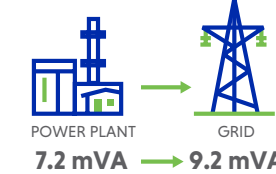
In 2021, our Batam fabrication yard continued to rank as our busiest fabrication facility. In 2020, Batam was also considered the highest emitting site. In 2021, McDermott's Batam fabrication yard converted almost all energy generation from diesel power to electrical grid power. In 2021, we further reduced carbon emissions at Batam fabrication yard through the purchase of Renewable Energy Certificates (I-RECs). Through this purchase, our Batam fabrication yard derived an estimated 98 percent of its electricity generation from sustainable sources. In 2022, Batam plans to further progress ambitions towards achieving 100 percent renewable energy through installation of onsite solar panels.

In 2021, Batam implemented a biodiesel B30 fuel site-wide and is further investigating opportunities to source renewable diesel, which would have even greater emissions reduction potential.

The successes of the Batam yard demonstrate that global efforts to decarbonize will take a variety of strategies. We are proud that the combination of our technologies and improved power sourcing resulted in a 32,959-tonnes reduction of GHG emissions at the facility. Overall, the carbon intensity of the entire Batam site was reduced from 454 tonnes of CO<sub>2</sub>e/200,000 workhours in 2020 to 81 tonnes of CO<sub>2</sub>e/200,000 workhours in 2021— a 76 percent reduction.

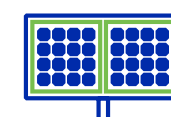
**2020**

454 tonnes of CO<sub>2</sub>e/  
200,000 workhours



October 2020

Emission Reduction from Fuel Consumptions (after full grid supply)  
**1,147,420** liters of diesel or  
**3,120.98** tonnes of CO<sub>2</sub>



August 2021

Schneider renewable energy assessment and Asset XD POC complete

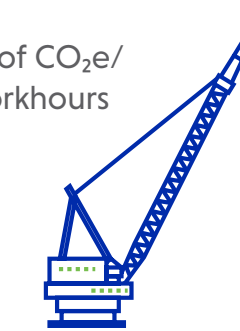


January 2021

Implementation of Biodiesel 30% blend (B30) site wide

Q2 2021

440 tonnes of CO<sub>2</sub>e/  
200,000 workhours



July 2021

Proof of Concept for crane and forklift utilization improvement (Asset XD)



December 2021

Purchase RECs to account for the full grid sourced electrical load in 2021

81 tonnes of CO<sub>2</sub>e/  
200,000 workhours

**2021**

Total emissions reduced

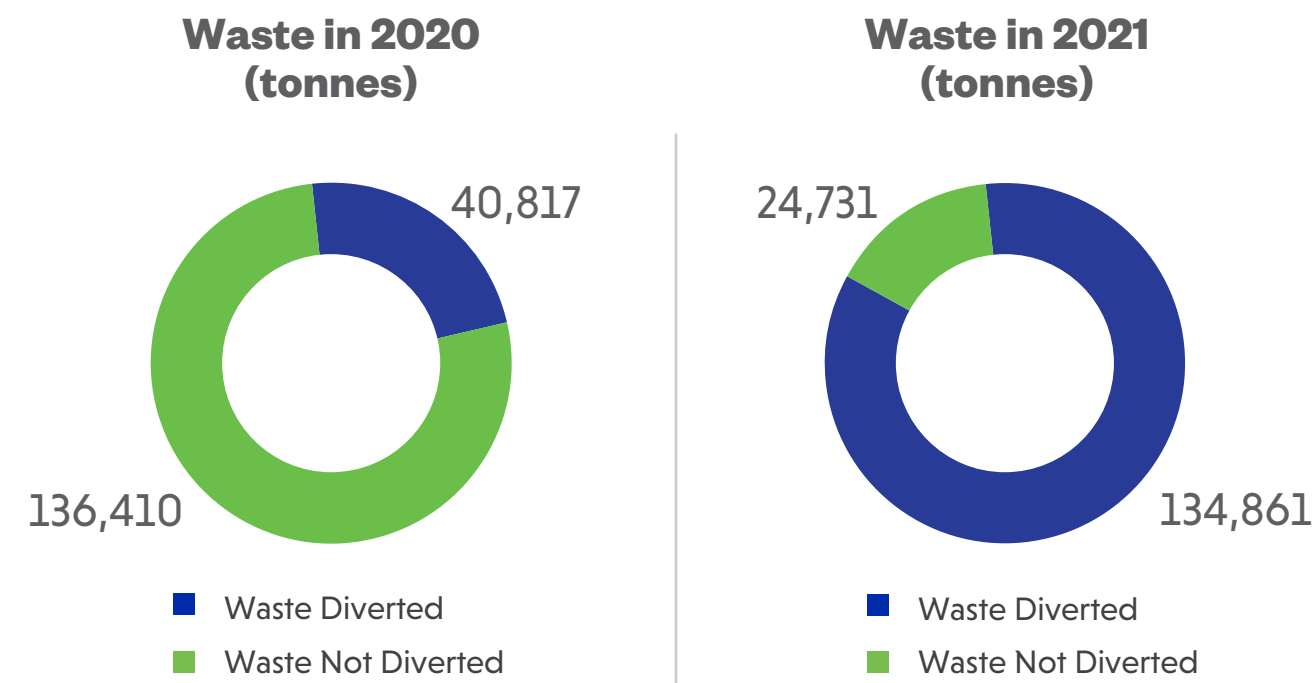
**32,959**  
tonnes CO<sub>2</sub>e



# Waste Management

We are committed to reducing the environmental impact of our operations while using materials and resources efficiently to prevent pollution and minimize waste. We have set ambitious waste reduction targets, including a target of zero office waste to landfill by 2025 and 50 percent reduction in waste by 2030.

Achieving these targets will require strong corporate processes, programs, and policies, as well as a concerted effort by all McDermott employees. We require every McDermott site to develop a Waste Management Plan. We are proud of our progress to date against this goal and have achieved a 85 percent waste diversion rate in 2021 compared to 23 percent in 2020, saving over 24,000 tonnes of waste from landfills in 2021.



Waste by the Numbers



## Waste Management Hierarchy

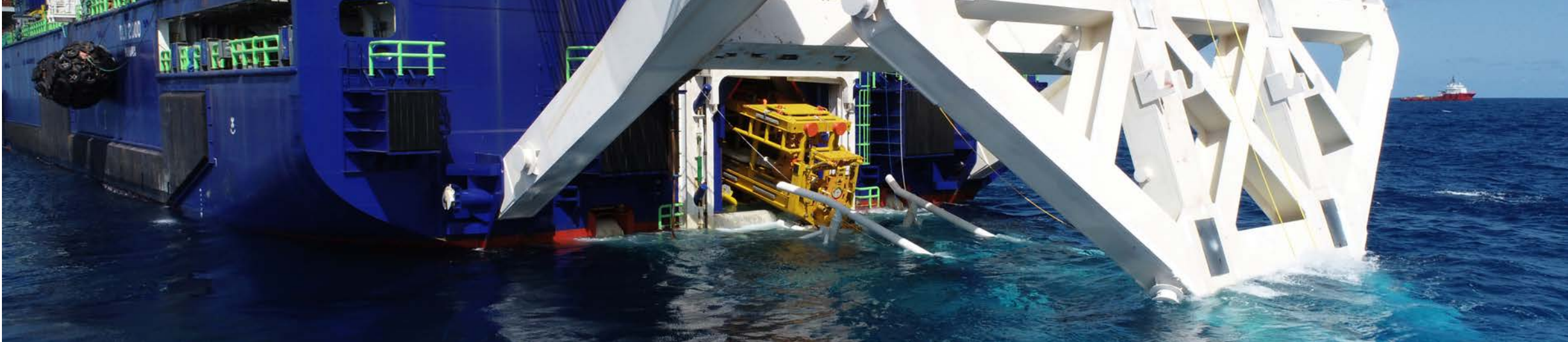
We apply the following waste management hierarchy to every McDermott site:



### OUR PROGRESS REDUCING WASTE FROM OFFICES:

In our Europe, Africa, and Middle East (EMEA) region, four of McDermott's offices have already achieved the goal of zero waste to landfill, well ahead of our 2025 target. These include our offices in the Hague, London, Brno, and Doha, which was our first Middle East office to achieve zero waste to landfill. Our teams continue to monitor the availability of country infrastructure to further align our office waste disposal to corporate goals as methods become available in-country.





## Biodiversity and Land Use

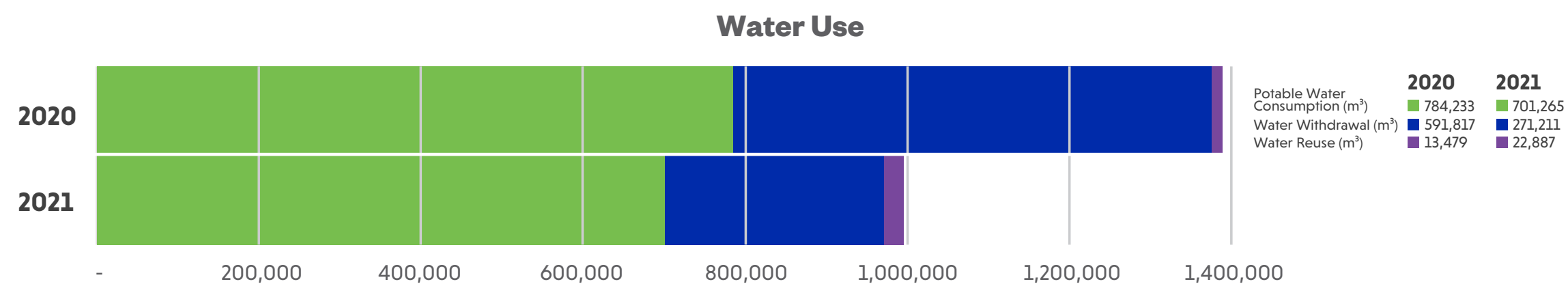
McDermott's proactive EPCI planning process includes working with customers to avoid and/or mitigate the impacts our construction activities and facilities may have on the surrounding environment. We carefully evaluate the locations of our project sites, including evaluating the surrounding areas for potentially sensitive areas. Wherever appropriate, we implement avoidance and mitigative measures during the planning phase of each project.

## Water Stewardship

We take steps to minimize our impacts on water resources from our operations. Each of our sites conducts a survey to identify the risks and potential impacts of its operations, activities, products, or services that use water or may affect water quality. The results of these surveys inform the development of plans for managing stormwater, preventing spills, and controlling erosion; the completion of inspections and audits to ensure regulatory and management system compliance; and the deployment of training and awareness initiatives to boost employee efforts and promote water stewardship.

Our operations consumed 972.47 million liters of water in 2021, a 29 percent reduction against 2020. Our primary use was potable water, including water provided by a utility, as well as water withdrawn 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.

With water becoming a scarce resource, our operations work towards reducing water consumption by optimizing the use, re-use, and recycling of water in alignment with our global management system water efficiency hierarchy guidelines. In 2021, we increased water re-use by 70 percent compared to 2020, accounting for 2.3 percent of total water consumption. Two major construction sites in Texas utilized self-contained mobile domestic wastewater processing units. 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 construction activities. Our initiatives to increase the ratio of reclaimed water consumed in our fabrication facilities include re-use for dust suppression, equipment washing stations, irrigation for landscape greening, and other construction testing activities.



### SAUDI ARABIA BIODIVERSITY INITIATIVES:

**Our Saudi Arabia operations collaborated with the Ministry of Environment, Water, and Agriculture and stakeholders to sponsor mangrove seed collection and planting in support of the Greening Saudi government initiative to enrich biodiversity and restore aquatic life. We collected over 57,000 mangrove seeds in Darin and planted 950 saplings in Tarout Island. We invited university students to participate in planting activities, and volunteers cleaned the neighboring mangrove habitat and beach to collect over 500kg of waste debris. In support of global campaigns, 475 plants adopted and planted for Earth Day, two underwater clean ups were held in celebration of World Ocean Day, and we collaborated with local communities for sowing of native seeds to enrich local biodiversity.**

### ASIA PACIFIC:

**Our operational locations in Asia Pacific are well-known for their unique marine ecosystems, particularly with respect to the Coral Triangle Initiative (CTI) and Australian waters. We respect the ecological importance of these areas and apply our principles of environmental stewardship with exceptional care in the Asia Pacific region. We evaluate potential disturbance of marine habitat and interactions with cetaceans, sea turtles, and other marine mammals during marine transportation and installation at the early stages of these projects. To further protect biodiversity in this region, our local employees are trained on cetacean sightings and applicable local country regulations and guidelines.**



# Spill Prevention and Response

We take steps to protect our Environment from unplanned releases to air, land, and water. Our Spill Prevention and Controls Process covers our operations, products, and services. This process identifies areas of risk where potential spills or releases may occur and implements control measures to prevent and minimize impacts.



These are the key elements of our Spill Prevention and Control Process

IDENTIFY	EVALUATE	PREPARE	TRAIN	MONITOR AND REPORT
Local laws and regulations	Geographic location	Site-specific Spill Response Plan	Identified key personnel	Update plans with significant change to site or activities.
Risk and controls for potential spills or release	Site /Vessel layout	Control measure implementation	Incident drill scenarios	Incidents, Near Miss and Lessons Learned
Available monitoring and controls	Potential risk areas and activities	Emergency response personnel and material	Familiarize third party responders to site where applicable	Continuous improvement
	Most probable spill and worst-case scenario			

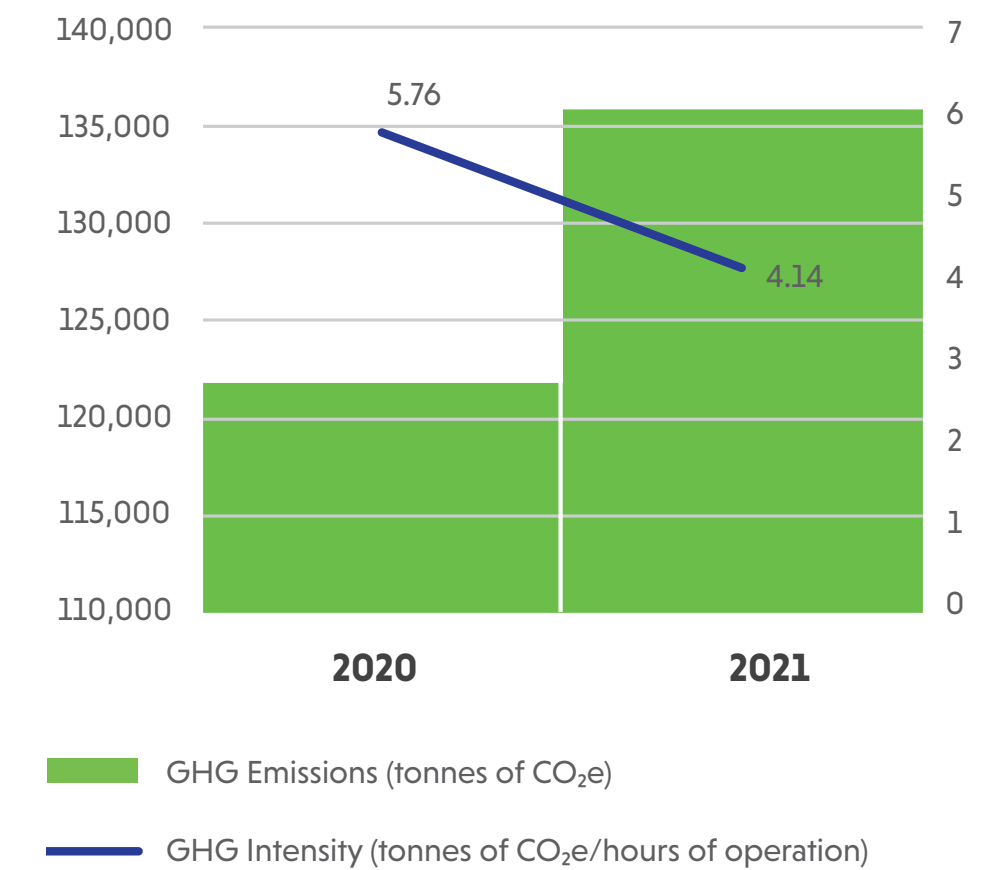
## ENVIRONMENTAL MANAGEMENT ABOARD OUR VESSELS

Our Environmental stewardship extends to our marine operations. Aboard McDermott’s custom fleet of marine construction vessels, we prioritize the same guiding environmental principles that we extend to our onshore operations.

### Vessel Emissions

Marine vessels are the largest contributor to our Scope 1 GHG emissions. Unlike vehicles or heavy construction equipment onshore, vessels run continuously and are designed to be maintained with a small crew onboard to deter the effects of seawater and the harsh environment. McDermott works to operate our vessels efficiently year-round. We aim for our fuel use to be linked to productively building the energy infrastructure required to serve people in the future.

Our overall marine group saw an increase in activity which resulted in an increase in total emissions. Due to reduced idle time and improved vessel utilization on most of the vessels in our fleet, we reduced our vessel carbon intensity from 2020 to 2021 by 28 percent from 5.76 tonnes of CO<sub>2</sub>e/hours of operation to 4.14 tonnes of CO<sub>2</sub>e/hours of operation.



### 2021 STATISTICS

Level III: **3** releases

**(2)** Water and **(1)** Land

Total Loss of Containment **1177 L**



### THE AMAZON VESSEL:

McDermott embraces automation as a tool used to help drive safety and sustainability goals with the conversion of the Amazon vessel. The Amazon vessel is undergoing a major renovation to become an ultra-deepwater J-lay vessel. Upon completion, it will have a highly automated multi-joint pipe production facility onboard utilizing robotic technology. Through the use of automated technology, the Amazon vessel will perform pipelay work with a smaller construction crew, decreasing the need for frequent crew and supply shipments as compared to similar competitor deep-water J-Lay vessels and ultimately reducing Scope 3 emissions.



McDermott vessels run on marine gas oil (MGO), which has a significantly lower sulfur content than heavy fuel oil (HFO). Use of MGO reduces sulfur oxide emissions that are harmful to humans and the environment. All McDermott vessels are equipped to use MGO and renewable diesel.

Each of our vessels is also equipped with a custom decarbonization roadmap. We plan to further decarbonize marine construction and reduce emissions aboard our vessels through:

- Cleaner marine diesel
- Engine retrofits to reduce fuel consumption
- Hybrid batteries
- Renewable shore power
- Alternative fuels

In addition, we have an internally developed GHG calculation tool, ArboxXD, based off real vessel data for our marine fleet. It enables us to predict emissions related to fuel use from a McDermott vessel for a particular project or through our yearly operations.

### Vessel Waste

To promote waste minimization, McDermott has eliminated the use of single-use plastic water bottles onboard all McDermott vessels. We estimate that we've eliminated 1.5 million single-use water bottles in 2021 by implementing water filtration systems and water coolers throughout our fleet. Crew members were provided with reusable water bottles to refill for years to come. The overall positive impact is magnified by reduced fuel consumption from supply vessels that previously carried water bottles to our vessels.

We continue to explore ways to reduce waste onboard, and we include our crew members in the process through surveys and engagement to identify solutions they'd like to see in our ship modernization efforts.

### Vessel Biodiversity Protection

The McDermott fleet works to minimize potential impacts to marine ecosystems through steps such as increased hull washing and complying with the international Ballast Water Management Convention to avoid the transmission of invasive species. Each of our global vessels is equipped with a Ballast Water Management Plan, which includes details on the proper operation of the specific treatment system installed.



# Social

McDermott employees work across the globe. We are one global team. As we work across continents and countries, our valued employees collaborate on projects from concept through to commissioning, all dedicated to delivering the energy the world needs today and tomorrow.

## WHY IT MATTERS

Our people drive our performance and fuel our growth. In an increasingly competitive market, we work diligently to recruit, retain, and develop our people in the industries we serve. We seek collaboration to transform every opportunity into success for every individual, every project, and the business overall.

## HOW WE DO IT

As a global provider of engineering, procurement, construction, and installation (EPCI) solutions, McDermott employs a diverse workforce of professionals and craft workers. Craft workers are key to our business model and success. We deploy a variety of talent acquisition, retention, and succession programs to encourage and recognize employee skills, innovations, and progress.

## WHERE WE'RE GOING

Our people power our future. That is why advancing a dynamic, inclusive environment where everyone thrives is critically important to us. We are focused on initiatives that allow McDermott to drive business value through our people. This includes building workforce capability to meet current organizational requirements and future business needs, developing a diverse talent pipeline for key leadership and project roles, and implementing programs and campaigns to attract, recruit, and retain top talent with focus on enhancing employee experience.

## TARGETS

**2023**  
**80%**  
of our significant projects have implemented signature social investment programs

**2023**  
**100% Participation**  
In Human Rights Programs at significant sites

**2023**  
**75% of significant projects**  
Over \$1B have social responsibility programs

**2023**  
**Local Content**  
is considered excellent at **75%** of our significant projects

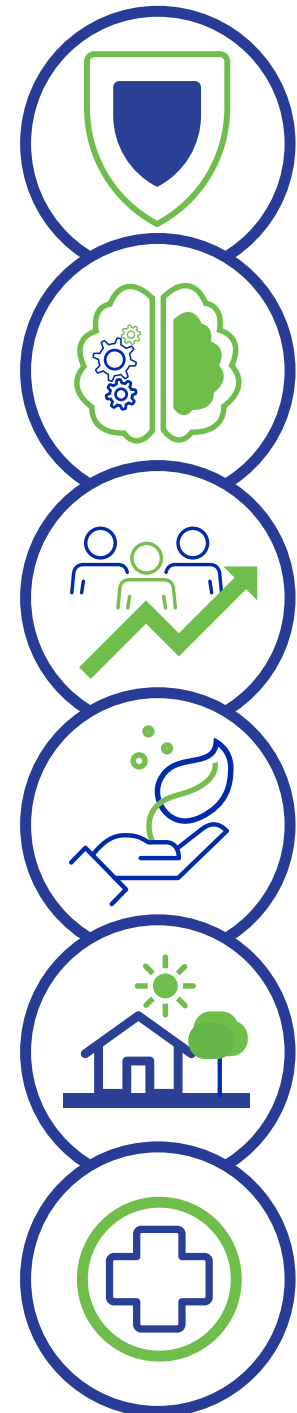




# People

## SOCIAL SUSTAINABILITY PRINCIPLES

Our global social sustainability principles guide all the ways we interact with people across the world, within McDermott, and throughout our communities. We focus on improving health and safety, respecting human rights, and co-creating opportunities for professional and economic growth for our employees and in the communities where we operate.



**Protect** people by continuously improving our 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 through productive activities, such as employment, entrepreneurship, innovation and technology, and growth of micro, small, and diverse businesses.

**Respect** the rights of Indigenous Peoples and provide for inclusion of vulnerable and underrepresented groups in our policies and operations.

**Invest** strategically in community health and safety partnerships and manage our impacts on local infrastructure services.

**Improve** human rights and global working conditions in our direct operations and supply chain.

## OUR WORKFORCE

Our employees are our most important resource. In 2021, our workforce composition was 43 percent professional employees and 57 percent craft workers. The project-focused nature of our work means that our craft workforce fluctuates based on project volume and phases of work.

Within McDermott, our workforce in 2021 reflected 90.88 percent male (18,723), 8.97 percent female (2261), with 0.15 percent undisclosed (39). This number reflects a 98 percent male craft workforce and includes a professional workforce that is 80 percent male and 20 percent female. One notable exception is our QMW joint venture fabrication workforce which comprised of 34.5 percent female in 2021.

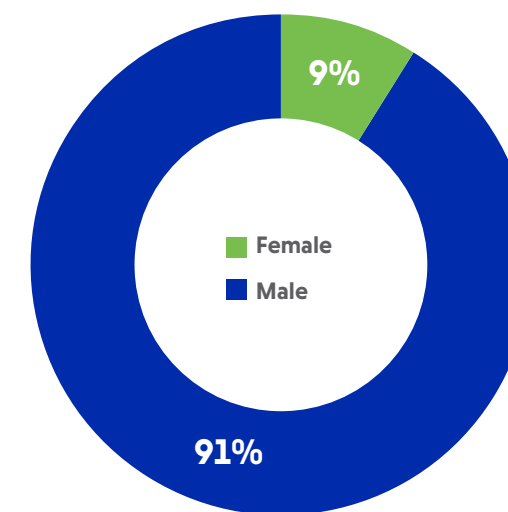
### MCDERMOTT'S 2021 GLOBAL WORKFORCE

More Than  
**25,000**  
Employees

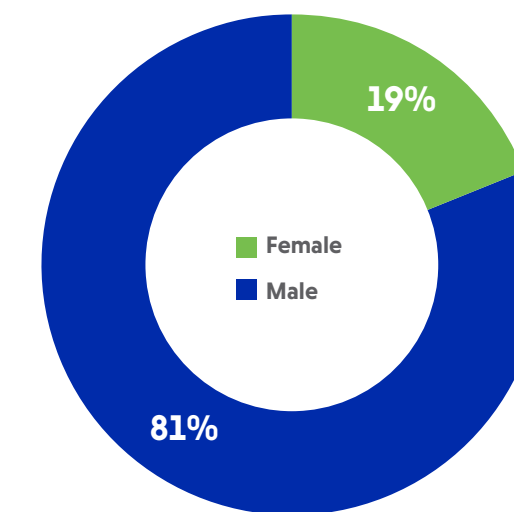
Representing  
**OVER 100**  
Nationalities

In  
**35**  
Different Countries

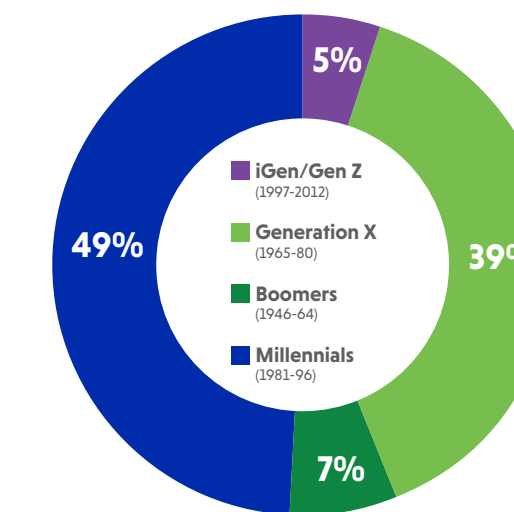
Total Workforce by Gender



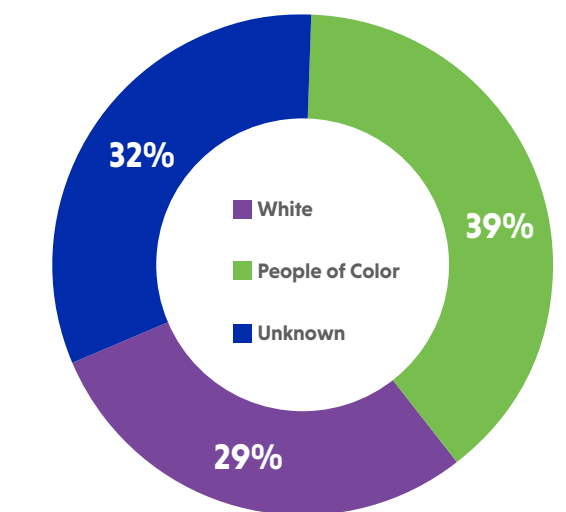
Professional Workforce by Gender



Total Workforce by Generation



United States Workforce by Race





## TALENT RECRUITMENT, DEVELOPMENT, AND RETENTION

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 speak up to support and challenge each other to achieve the best outcome for the organization as a whole and for our customers.

In 2021, we experienced a turnover rate of 11 percent among our global workforce of professional staff. To support our expanding project portfolio, we hired 10,439 new colleagues, 7 percent of which are female, in professional and craft positions. Career development and advancement for female employees remains one of our key priorities. In 2021, 14 percent of our existing female employees were promoted to more senior positions.

We are committed to enabling career development at all levels. Our development offerings support every career stage to build skills and leadership capability across the organization. There is a diverse range of development opportunities with an emphasis on key experiences on-the-job, mentoring and coaching, and participation in formal programs. Here's an overview of some of the development offerings, intended to prepare employees to be more effective in their current role and for advancement opportunities at McDermott.

**McDermott is actively engaged in science, technology, engineering, and math (STEM) and female social investment programs globally to change the trajectory of female representation in both professional and craft related careers. Sreepriya Kurup, an engineer at McDermott – and one of the first women to work on a long-term assignment offshore in Saudi Arabia – commented on recent progress:**

This is a historic achievement for all women in the Middle East EPCI industry who have dreamed of experiencing offshore work in the region, especially in Saudi Arabia. This unlocks the door to many offshore opportunities for all of us.



**Advancing Women Leaders (AWL)** Develops female leaders through mentoring and course offerings, and equipping participants with practices to address barriers that could impede their advancement in the workplace.



**IMPACTT** Investing in McDermott's People Across the Company Today for Tomorrow (IMPACTT) is a program designed to develop early career, high-potential employees with the knowledge, skills, and behaviors to increase their current leadership effectiveness and provide exposure to leaders across the business.



**Management Essentials** Provides leaders with the core management skills and behaviors required to be successful in managerial roles and adhere to McDermott's values and expectations.



**Lean Six Sigma** Learn Six Sigma Methodologies and a structured approach to continuous improvement.



**Self-Driven eLearning** Online learning available with a focus on learning paths ranging from leadership to technical skill development.



**Optimizing Performance Workshops** Various professional development workshops focused on developing skills and behaviors aligned to McDermott's core values and operational needs.



**Mentoring** The program focuses on engagement, inclusion, knowledge sharing, and career development. Training is provided to Mentors and Mentees across the organization.

Employees are encouraged to drive their own development and work with their manager to create and implement a personalized career development plan. In addition, through processes such as talent reviews, performance management, and succession planning, McDermott is dedicated to developing and retaining employees to meet current and future business goals.

## COMPENSATION AND BENEFITS

McDermott's commitment to our people means providing all our employees with quality work environments that support their health, safety, and well-being. We comply with local laws related to employment, benefits, and compensation and seek culturally appropriate ways to go beyond local requirements. Our compensation programs are designed to drive achievement of our global business strategies through fair, industry-aligned rates within the various geographies in which we operate.

## RESILIENCY AND MENTAL WELLNESS

McDermott continues its commitment to the well-being of employees, especially with the ongoing COVID-19 global pandemic. We continue to offer resources to support the mental health of our workforce. This includes supportive emails from managers and executives, enhanced Employee Assistance Programs (EAP), online trainings, and collaborative team offerings.

**McDermott's THRIVE initiatives focuses on supporting employee well-being in four key areas: mental and emotional, physical, financial, and social well-being. In 2021, around 85 initiatives saw almost 4000 employees participating in 11 Countries.**

**Mental & Emotional**

- Employee Assistance Programs
- Employee Benefits
- Expert Speakers
- Support Resources

Our mental health affects how we think, feel and act and determines how we handle stress, relate to others and make choices. We will provide ways to explore new paths to wellness.



**Financial**

- Retirement planning
- Financial advisors
- Investment resources
- Workshops and video series

There are many dimensions to financial health, including savings habits, retirement plans, and income allocation. We'll provide you the tools you need to achieve your goals.

**Physical**

- Health and Well-being Programs
- Employee Benefits
- Activities and Challenges
- Programs and Rewards

Possibly the most visible dimension of health. Learn how lifestyle behavior choices do more than ensure well-being, but also avoid preventable diseases and foster a balanced state of body, mind and spirit.

**Social**

- Employee Resource Groups
- Growth Workshops
- Speakers, Events, and Activities
- Volunteer Opportunities

We are social beings and connectivity is a basic need. Create new connections and practices to foster strong relationships, create healthy habits and support others.

**Providing employees with information, education, and resources that support their well-being in the four key areas of wellness. It is McDermott's commitment to your whole self.**

**KEY ACHIEVEMENTS**

Continued to grow our internal Global People Services (GPS) group to enhance the effectiveness of business support. We placed an emphasis on hiring, process establishment, and standardization. Based in the Philippines, the goal of this shared services center is to provide our employees and managers with 24/7 on-call support.

Established more accountability through our talent processes by driving expected behaviors through the performance management process. We created opportunities for more touch points between the employee and manager, established an organizational wide goal tailored to those in leadership roles, and streamlined tools and resources.

In addition, global implementation of the talent assessment process was conducted with the leadership team. Successors were identified for critical roles and structured our learning and development offerings with each successor's development needs. Complimentary to this, we expanded the Learning & Development offerings that could be delivered in-house and at-scale.

McDermott's Sustainability, Diversity, Equity & Inclusion (DE&I), and Social Responsibility teams aligned key activities from across McDermott's operations. Employees celebrated the Day of Understanding in the US and subsequently hosted a Month of Understanding in non-US regions. Throughout the year, we celebrated Black History Month (in the US); Independence Day (across the APAC region); International Women's Day and Women in Engineering Day globally with scheduled employee events. We also launched our first Employee Resource Group Leadership Summit for all of our global ERG leaders that focused on development of our ERG leaders in the organization.



# Global Diversity, Equity & Inclusion (DE&I)

McDermott is committed to advancing and sustaining a culture of diversity, equity, and inclusion globally, recognizing that our people are our greatest asset. We seek to embrace differences in our employees (i.e., gender, sexual orientation, race, color, religion, national origin, disability, age, and other individual characteristics) and harness their authentic abilities to help them progress in their respective careers.

Our diversity, equity, and inclusion program and initiatives serve to shape both our internal policies and practices on recruitment and selection, compensation and benefits, professional development and training, and promotions, as well as external practices such as supplier diversity and marketing to promote fair and transparent treatment of our stakeholders.

We provide employee-wide training which serves to educate and promote the behaviors, attitudes, and actions that drive and sustain a strong culture of inclusion and belonging at our workplace and operate a zero-tolerance policy for discrimination, bullying, harassment, and victimization.



## WHY IT MATTERS

Increasing diverse representation is a challenge experienced by McDermott and the companies with whom we do business. In 2021, the oil and gas industry average for females in the workforce was 21 percent. We believe, and research shows, that increasing diversity and inclusion fosters creativity and innovation, enhances responsiveness to customers' needs, and improves employee attraction, retention, and engagement. All have a positive impact on the bottom line. Inclusion and diversity are important to us, and the industry, and we are committed to maintaining our focus and continuing our improvement.

## HOW WE DO IT

In 2021, we launched an initiative to complete DE&I action plans for all operating locations. We partnered with diversity-focused external organizations and established global DE&I leads. We are proud to support multiple employee resource groups (ERGs) around the world that are dedicated to DE&I and sustainability action.

Development and ownership at the local level specific to local demographics, initiatives, and key activities are key to making progress in developing strong foundations and alignment to diversity, equity, and inclusion principles.

## WHERE WE'RE GOING

We continue to develop talent across the business enterprise, foster a sense of inclusion and belonging, and hold ourselves accountable to advancing gender diversity, inclusion, and fairness among our professional and craft employees. In 2022, we plan to:



- Launch the McDermott DE&I Transparency Report to provide key insights, progress, and metrics for our DE&I journey over the previous year (2021)
- Achieve 100 percent Inclusive Leadership Training compliance for all Grade 8+ employees by December 1, 2022
- Cultivate and provide continuing support for Employee Resource Groups' growth and development, and leverage their feedback and experiences to help shape and influence our goal to build an inclusive culture globally.
- Continue developing global relationships and participating with key external partnerships for awareness, growth, and understanding
- Increase global female representation by a minimum of 500 females through pro-diversity recruitment, retention, and advancement plans. The development and implementation of action plans will prioritize entry level cohorts, a stronger pipeline of women in senior leadership roles, and increased female representation in technical and operational roles.

## BUILDING A GLOBAL MINDSET

We empower all of our people around the world to participate in achieving their aspirations and reaching their full potential. Our global footprint requires diversity of thought, leadership, and talent that seeks to collaborate, cultivate, and inspire one another for strengthening local communities and achieving our business success.

- Michael McKelvy, President & CEO



We introduced our DE&I milestones and future outlook in 2018, and have continued to progress on our DE&I journey. Although our gender representation remains relatively flat for our global workforce, we remain focused to find solutions for including and developing diverse, local talent.

### DE&I Milestones and Future Outlook



We enhanced our DE&I journey by incorporating the Global Diversity, Equity & Inclusion Benchmarks into McDermott's Global DE&I Strategic Framework to monitor and align with industry best practices. This allows us to identify opportunities for our own growth and development while re-establishing our baseline and key metrics. To enhance our DE&I reporting, we contribute annually to the sustainability report development process and have initiated the use of scorecards for representing our leading and lagging indicators. We continue to enhance our accountability through strengthening of our global DE&I function and embedding it as a level 1 Business Performance Goal (BPG) under McDermott's People, Culture, and Values. Level 1 Business Performance Goals are focused on building workforce capability to meet current organizational requirements and future business needs and advancing DE&I, in addition to workforce engagement and workplace well-being through McDermott Values.

As we began our process for operationalizing DE&I, we identified three key pillars: Workforce, Workplace, and Marketplace. Each of these pillars and their focus areas requires cross-functional collaboration and engagement from everyone in the organization. To accomplish this, our global DE&I functional area has increased communication endeavors, expanded education and awareness, and enhanced McDermott's efforts in attracting and retaining underrepresented talent across our organization. We recognize there is more work to be done.

Throughout 2021, we positioned ourselves to not only continue our DE&I journey, but also established key processes and systems to support our continual improvement.

## DE&I TRAINING

As part of our DE&I journey, we initiated our Inclusive Leadership training. Leaders at McDermott play an important role in demonstrating the behaviors and attitudes that contribute to an inclusive workplace. Our Inclusive Leadership training is designed to provide leaders with knowledge, resources, and tools to assist in our collective DE&I journey.

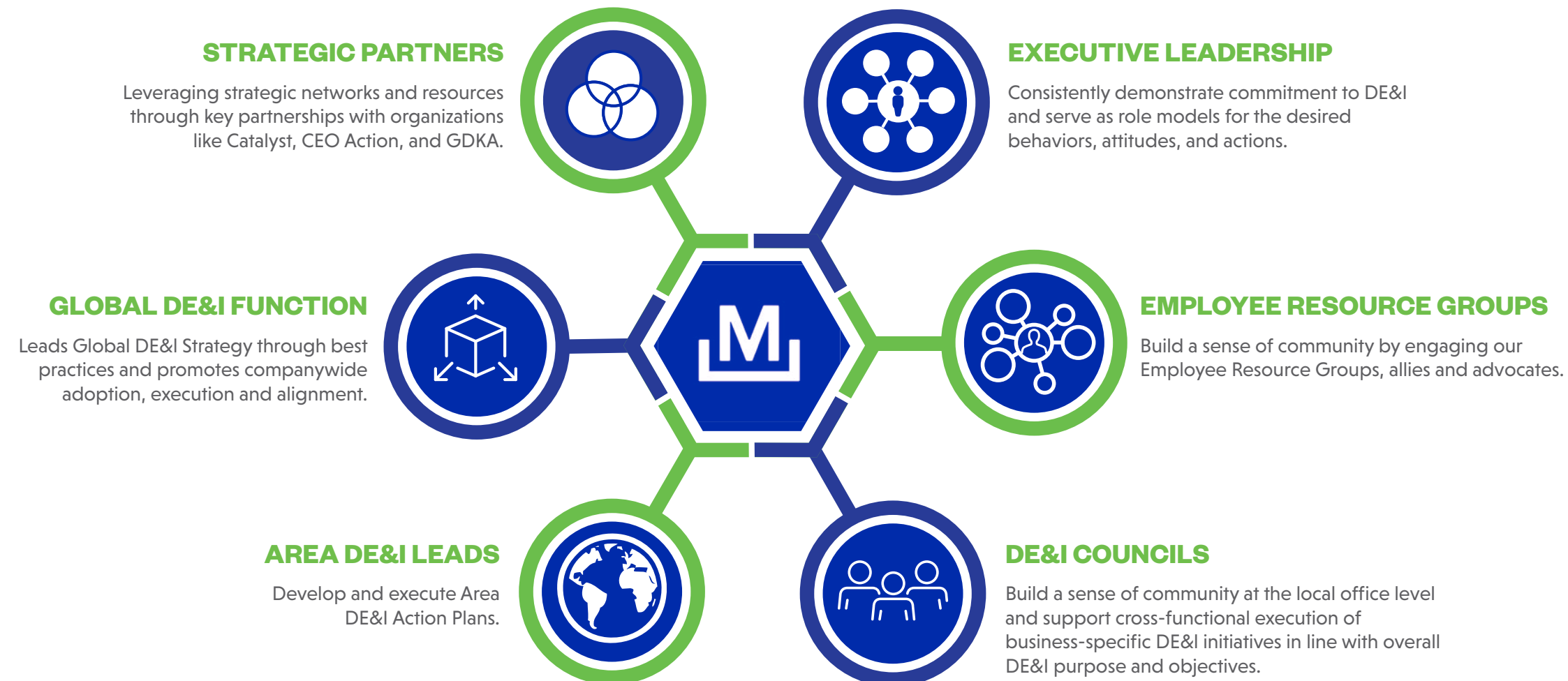
To bolster our central recruitment efforts and continue supporting increasing female representation across McDermott, we also delivered Inclusive Hiring training to 52 members of our talent acquisition and global recruitment center teams. After a successful pilot introduction, we plan to expand enrollment to all hiring managers in 2022.

### Building a Culture of Inclusion and Belonging

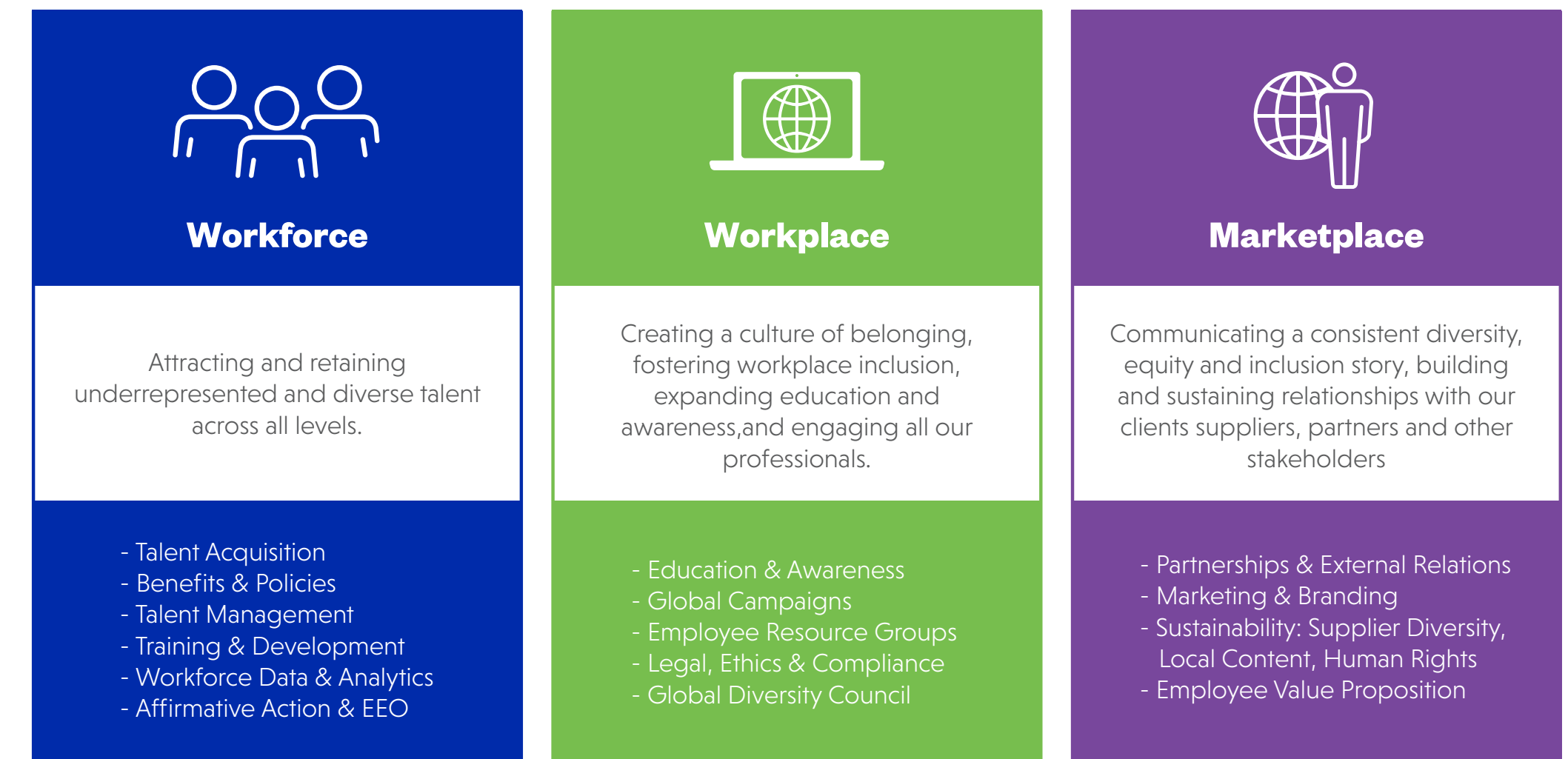
- 1 INCLUSIVE LEADERSHIP
- 2 UNCONSCIOUS BIAS
- 3 ADOPTING A GLOBAL MINDSET
- 4 ACTIVATING OUR DE&I STRATEGY

**In 2021, 597 leaders participated in the 6-month initial rollout of our Inclusive Leadership Program. In 2022, we expect more than 800 employees to complete the training.**

### DE&I Stakeholders











### Operationalizing DE&I



## EMPLOYEE RESOURCE GROUPS (ERGS)

Each of our ERGs is organized by passionate employees, and each group creates an internal, collaborative community that provides personal connections, professional development, business collaborations, and meaningful external engagements for participating members.

	ERG AND CHAPTER	MISSION
	Sustainability (The Hague, Brno, London, Houston, Kuala Lumpur)	Focusing on long-term growth by adopting Sustainable practices and technologies Supporting socially and environmentally responsible initiatives in our communities and workplace, focused on building awareness around social disparity and waste reduction
	Aspire (The Hague, Houston, Plainfield, IL)	Committing to the professional, social, cultural, leadership, and technical development of the workforce
	KAN (Dubai)	Facilitating networking opportunities, community service, and promoting knowledge sharing with the aim of building One Team
	Global Women's Network (Global)	Creating growth opportunities for women and serving as a trusted partner to drive inclusion through greater female participation and representation at McDermott
	Parents at Work (PAW) - U.S.	Positively influencing our working environment to ensure professional development and support of working parents
	McDermott Black Alliance (MBA) - U.S.	Promoting a culture of diversity and inclusion through continual learning for employees of African American/Black descent
	PRISM - U.S.	Fostering an inclusive organizational culture that recognizes, respects and values diversity and the differences employees and stakeholders bring to McDermott
	goASIA - U.S.	Uniting diverse Asian, Asian American, and Pacific Islander communities at McDermott with the purpose of creating a platform/playground to accomplish their goals and objectives

In October 2021, McDermott recognized and empowered our ERG leadership teams through hosting McDermott's first ERG Leadership Summit. Our theme was Building and Sustaining a Strong Employee Resource Group, and the program included presenting ERG guidelines for each employee group to provide guidance, set expectations, and support development of an ERG Scorecard.

### BENEFITS TO EMPLOYEES:




- Encourage professional development
- Provide mentorship and connection to senior leaders
- Showcase leadership ability and talent
- Create opportunities to connect and build relationships

### BENEFITS TO MCDERMOTT:

- Develops high potential leaders
- Boosts innovation and creativity
- Provides cross-functional engagement and teaming
- Attracts and retains diverse talent at all levels
- Develops community partnerships

## GLOBAL PARTNERSHIPS

McDermott partners with multiple external diversity-focused organizations to continuously learn best practices and methods to increase inclusion, fairness, and diverse representation across the workforce.

	When McDermott refreshed its DE&I program in 2020, we partnered with the Catalyst Supporter Network (Catalyst), a global nonprofit organization in the United States to align with best practices in advancing diversity, equity, and inclusion with a specific focus on gender diversity. There are four focal areas: Advancing Women, Women and the Future of Work, Lead for Equity and Inclusion, and MARC (Men Advocating Real Change).
	We participated in the Greater Houston Partnership's One Houston Together effort survey garnering understanding of the business community's activities surrounding DE&I. The insights for participating companies revealed how Houston businesses are progressing on their DE&I journey. This process has been invigorating as we continue to build our global framework regarding our diversity and social responsibility efforts.
	As part of our commitment to advancing diversity, equity, and inclusion (DE&I) McDermott recently joined the Gender and Diversity KPI Alliance, a group of diversity and inclusion advocates and more than 60 corporate leaders, to support the use of high-level key performance indicators (KPIs).

**Global DE&I Event: On April 23, 2021, McDermott held its inaugural Day of Understanding as part of our commitment to advance diversity, equity, and inclusion (DE&I) for our employees. The initiative brought together more than 2000 employees across North, Central, and South America to facilitate open dialogue and meaningful conversations on DE&I. Furthermore, in September 2021, the EMEA and APAC regions hosted a Month of Connection focused on creating an inclusive work environment through management engagement sessions, DE&I training sessions, and ER- sponsored events promoting mental and emotional health and overall workplace well-being.**

## KEY ACHIEVEMENTS

- Established a global DE&I framework, including a Director of Global DE&I and a DE&I lead in all key operating locations
- Implemented DE&I key performance indicators across the company
- Held inaugural Day of Understanding and Month of Connection events
- Joined Greater Houston Partnership's member company Equity & Inclusion Organization Assessment

**As part of our commitment to advancing DE&I, McDermott recently joined the Gender and Diversity KPI Alliance**



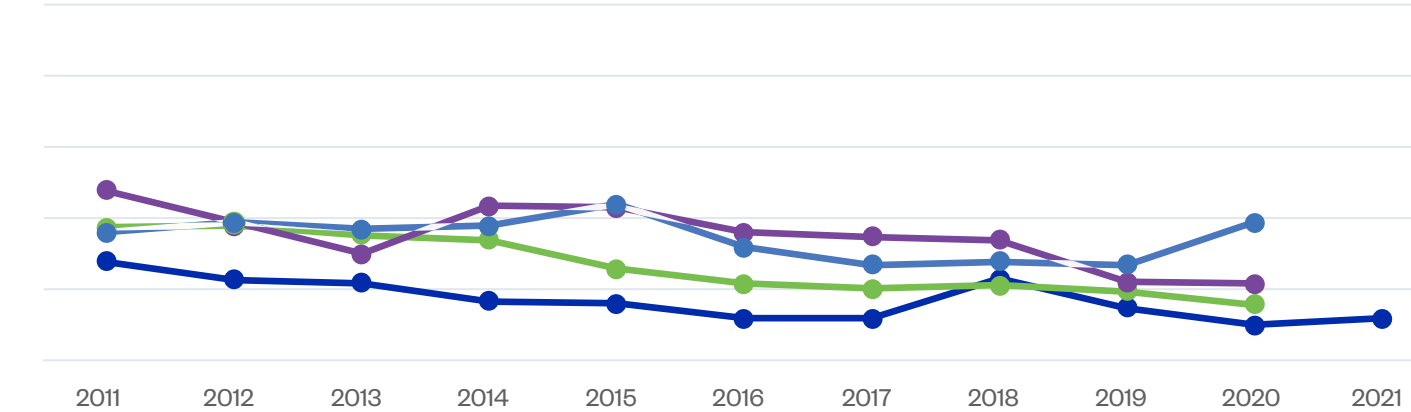
## EXCELLING IN SAFETY PERFORMANCE

At McDermott, we pride ourselves on being an industry leader in QHSES performance. Our strong QHSES performance is exemplified by our executive management taking an active role in QHSES daily and includes using the Intelx system to capture and use data in a timely and effective manner. This system allows us to regularly evaluate and improve upon our safety performance.

Over the last 10 years, we have maintained a Total Recordable Incident Rate (TRIR) below industry average. In 2021, our TRIR was 0.12—well below the company’s target of 0.16. We always strive for zero lost-time incidents, and our Lost-Time Injuries Rate (LTIR) was 0.01. We continue to attribute our safety performance to our employees and their continued focus on their own and each other’s safety – in every action every day.

Industry TRIR Comparison\*

McDermott IOGP IMCA CII



\* Please note that 2020-2021 industry data from IOGP, IMCA, and CII is not released until late 2022.

## Quality, Health, Safety, Environment and Security (QHSES)

### WHY IT MATTERS

McDermott is a purpose-driven company that chooses to lead by example—in all that we do. That’s why our organization is committed to Quality, Health, Safety, Environment and Security—what we call “QHSES.” Our goal is to continue leading by example in all areas of QHSES and create a culture where setting the right example in QHSES attitude and behavior is simply “in our DNA.” We call this Taking the Lead with QHSES, and we proactively work with our partners, subcontractors, and customers to join us in achieving outstanding QHSES performance.

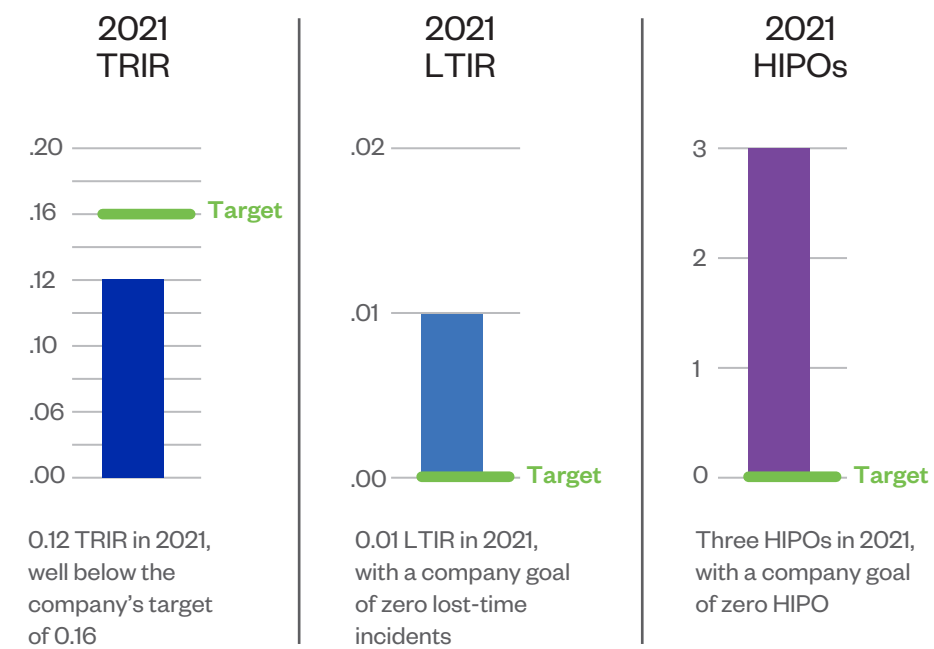
### HOW WE DO IT

McDermott’s QHSES Program is modeled on ISO standards, with continual improvement at its core. Our QHSES Policy commits our company to the highest standards of health and safety performance. Our QHSES management system provides a uniform methodology of working to enable safe and effective business execution and project delivery.

Through our Taking the Lead with QHSES initiative, we instill a vital and mindful QHSES culture across our diverse workforce and global organization. This builds an environment and behaviors where everyone is a QHSES leader.

The McDermott Operational Values (MOVs) establish a framework for employees to reduce QHSES risks and enhance the well-being of our employees and communities. Our twelve MOVs include known construction industry risks like working at heights, dropped objects, and risk of impact. They are founded on industry-recognized standards and aligned with the [International Association of Oil & Gas Producers’ Life-Saving Rules \(IOGP\)](#).

### Key QHSES Metrics



We identify and evaluate incidents that have greater severity as High Potential Incidents (HIPOs). Our executive management team is notified of and reviewed each HIPO, and relevant actions are assigned to business line and area leadership teams. We identified three HIPOs during 2021. Our annual goal remains zero for these incidents.





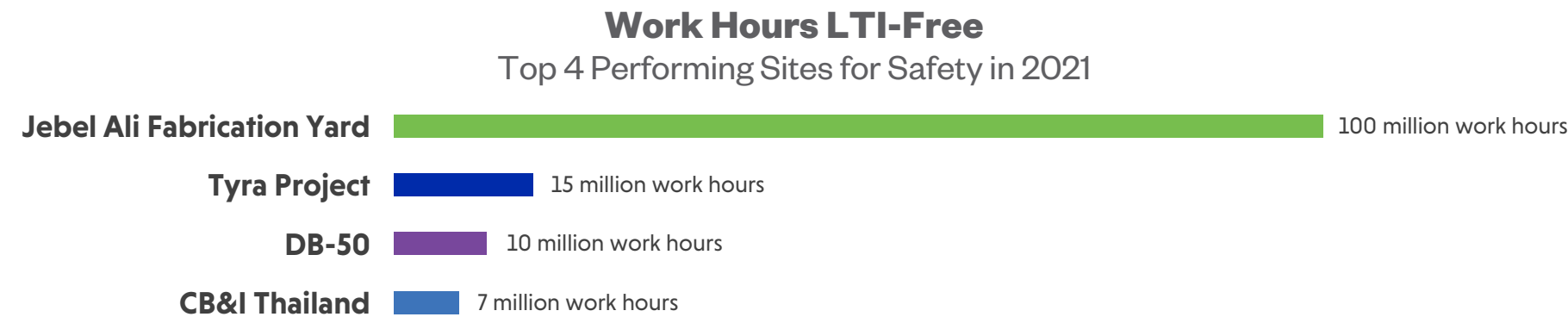
## SAFETY AWARDS AND RECOGNITIONS

McDermott was recognized for excellent safety performance during 2021. We received an award of appreciation from a major Middle East customer for achieving ten million work hours without a lost time injury (LTI) during the execution of a number of their projects in 2021.

It takes commitment and dedication 24 hours a day, 7 days a week, and 365 days per year to maintain a strong safety culture. That is exactly how McDermott has achieved such an excellent milestone. The exceptional achievement of ten million work hours is a direct result of everyone's involvement in living and breathing a strong safety culture.

- John Baker, HSES Manager

McDermott is also proud to celebrate exemplary 2021 HSE achievements for work hours without a lost-time injury:



Further, in 2021, our KG-DWN 98/2 Project Team was presented with a safety award from India's **Oil and Natural Gas Corporation Limited (ONGC)**. Qingdao McDermott Wuchuan (QMW), a joint venture between McDermott and China State Shipbuilding Corporation (CSSC), also received a "Safe Production Elite Unit" award in 2021—an award received for the eighth consecutive year—based on outstanding safety performance, close cooperation with various authorities, and resounding implementation of our QHSES management system.

**Accreditation recognizes the high quality of our QHSES training programs. It is an important part of McDermott's approach, driving all employees to understand and achieve the highest possible standards every day.**

## QHSES Training and Engagement

Training, behaviors, and competency play a vital role in achieving our QHSES goals. Our QHSES training programs enable our employees to recognize and mitigate potential risks. Our approach personalizes each experience resulting in injury prevention and reductions in environmental pollution, property damage, security incidents, and the cost-of-non-quality. McDermott dedicated over 446,000 work hours to QHSES training hours in 2021. Each employee received a minimum of approximately 4 hours of position appropriate QHSES training in 2021.

McDermott's training programs are accredited by the **American National Standards Institute's (ANSI) International Accreditors of Continuing Education and Training (IACET)**, which defines compliance with the **ANSI/IACET 2018-1 Standard for Continuing Education and Training**. As an IACET accredited global training provider, we award Continuing Education Units (CEUs) to our employees upon successful completion of relevant QHSES courses. In addition, our Middle East Training Center is approved by the OPITO to deliver Basic Hydrogen Sulfide (H2S) and Authorized Gas Tester (AGT) training courses.

**Leadership programs like iLead to Succeed provide frontline leaders with skills and tools that further differentiate McDermott from other fabricators. The iLead to Succeed program is more than just training, it aims to develop and strengthen leadership skills. This program has enabled us to take our best craftsmen and craftswomen promoting them to foremen and forewomen. Our program will assist our foremen and forewomen in developing others in Taking the Lead with QHSES spirit.**

## SUPPORTING THE DEVELOPMENT OF SAFETY-CONSCIOUS LEADERS

In 2021, we launched our iLead to Succeed leadership development and certification program for frontline supervisors at our PTMI Batam and Jebel Ali fabrication yards. The iLead program develops and strengthens leadership and QHSES competencies of all frontline supervisors through learning, coaching, and feedback. Because of the success of the program, McDermott's executive and QHSES leadership expanded it globally and will be introducing the program across the business enterprise in 2022. The program is expected to be accredited in 2022 by City & Guilds, an internationally recognized qualifying body credentialing our QHSES training.



**In 2021, we launched various HSE campaigns such as IMPACT – Improving Performance, Accountability & Communication through Teamwork and LEAP – Leading, Engaging, Assessing and Managing Performance, into QHSES. These are all led and participated in by operational leadership, frontline supervision, and craft employees. These campaigns significantly contributed to our industry-leading performance this year.**

## PROMOTING INCIDENT REDUCTION

At McDermott, safety and reducing incidents is everyone's priority. From our employees to our management team, each of us are actively involved in our global safety culture and practices. The management team conducts routine visits to work sites to recognize, engage, and learn alongside employees how to work safer and smarter.

We implement global safety campaigns across our operational regions to promote incident reduction and encourage safe work practices. These campaigns allow us to identify and target key areas where we have the greatest opportunity to reduce the number of incidents. The themes of our global safety campaigns differ each year.

## QHSES Digitization

We improved our QHSES data management system in 2021 with the implementation of Intelex. This enterprise platform enhances our existing systems and practices in monitoring and continually improving the delivery of safe, quality work for our customers. It contains multiple tools that support robust risk mitigation and management. In 2021, we released seven core modules for use by all employees:



These innovative digital tools accelerate our ability to proactively and consistently identify risk, initiate wide-scale improvements throughout our business, track successes, and apply lessons learned to future projects. Employees are empowered to use Intelex to drive change, continually improve processes, and maintain our position as an industry leader in QHSES.

## COVID-19 Pandemic Management and Response

Our robust COVID-19 response protected our people and business and operational continuity. McDermott's approach included a dedicated weekly review with our CEO and executive leadership team and strong global collaboration across operations, SCM, QHSES, regulatory and others, led by Global and Area Pandemic Management teams. McDermott's crisis management teams around the world regularly communicated

and engaged with global and local healthcare providers, regulators, and safety officials to quickly deploy learnings and best practices around the world. The teams acted quickly to respond to COVID incidents, supporting health care, quarantine, and testing to minimize spread, and as a result in 2021, we did not close any operations due to COVID-19.

## COVID-19 MITIGATION MEASURES

We treat vaccination as one crucial mitigation measure and have encouraged our employees to get vaccinated against COVID-19. In 2021, we partnered with local governments, private sectors, and other medical organizations to provide vaccination and testing opportunities for employees, customers, and contractors.

Our Marine Group felt the full force of uncertainties and difficulties related to the COVID-19 pandemic over the past two years. COVID-19 posed numerous challenges to getting our employees offshore safely, in addition to meeting testing, evaluating, and quarantining requirements.

As an additional measure in 2021, we announced a vaccine mandate across our marine vessels due to the close confinement and ease to which the virus can spread in such vessels. Throughout 2021, we achieved 99 percent compliance. We partnered with the Ministry of Health in the Kingdom of Saudi

Arabia (KSA) to vaccinate employees onboard the vessels. Further, we obtained approval from the Dubai Health Authority to vaccinate offshore employees who do not hold residence visas. As a result of these efforts and strong employee engagement, our Marine Group remained fully operational in 2021.

## COVID-19 MANAGEMENT RECOGNITION

McDermott is recognized by customers and institutions with respect to our COVID-19 response and mitigation measures.

**In 2021, over 80% of our employees globally voluntarily reported being vaccinated against COVID-19.**

**Our Batam fabrication yard received outstanding recognition from local government authorities for our COVID-19 protocols and vaccination rates—including a segment on CNN Indonesia. The Indonesian government's Ministry of Labor recognized McDermott for exemplary pandemic management efforts, and the local government selected McDermott to share best practices with other local business leaders.**





## Social Responsibility

McDermott’s social performance focuses on engaging stakeholders responsibly, minimizing disruption to communities, and contributing to sustainable social and economic development. Through our strategic community investments, local content, and diversity efforts around the world, we are providing opportunities to build a more inclusive economy where local stakeholders benefit, and positive social impacts occur.

### WHY IT MATTERS

With operations all over the world, McDermott’s commitment to respect people, the environment, and communities throughout our global footprint is paramount to our local success. Our systematic approach to social responsibility secures our social license to operate, reduces social risk through mitigation measures, and allows our teams to minimize impacts while optimizing benefits to local regions where we work on behalf of our customers.

### HOW WE DO IT

Our social responsibility approach is governed by a Social Management System aligned with the International Finance Corporation (IFC) Performance Standards and the International Organization for Standardization (ISO) 26000:2015 Standard. Under this system, we maintain a [Code of Business Conduct and Code of Ethics](#), [Modern Slavery Statement](#), [Human Rights and Social Responsibility Policy](#), and accompanying process, which are used across our global operations.

### WHERE WE’RE GOING

In 2021, we piloted and implemented a “Speak Up” campaign in our Jebel Ali fabrication yard in the United Arab Emirates to encourage and engage our craft employees and subcontractors in the understanding and use of the grievance process. In 2022, we will:

- Implement our “Speak Up” campaign globally across all our significant sites
- Provide education relating to the identification of human rights violations and incidents of discrimination. “Speak Up Cards” will be introduced at our significant sites to provide our on-site workers with the option of filling out a physical form, in addition to submitting concerns via phone, email, or online via our externally hosted website for reporting. Speak Up reporting services are offered in local languages, so language barriers do not prevent effective reporting of any concerns.

### TARGETS

#### Sustainable Economic Growth

- 2023: Local content is considered excellent at 75% of our significant sites\*
- 2023: Signature social investment programs are implemented at 80% of our significant sites

#### Community & Workplace Wellbeing

- 2023: 75% of significant sites have social responsibility programs
- 2023: 100% participation in human rights due diligence for significant sites

\*Significant sites are sites valued at \$1 billion USD or more.

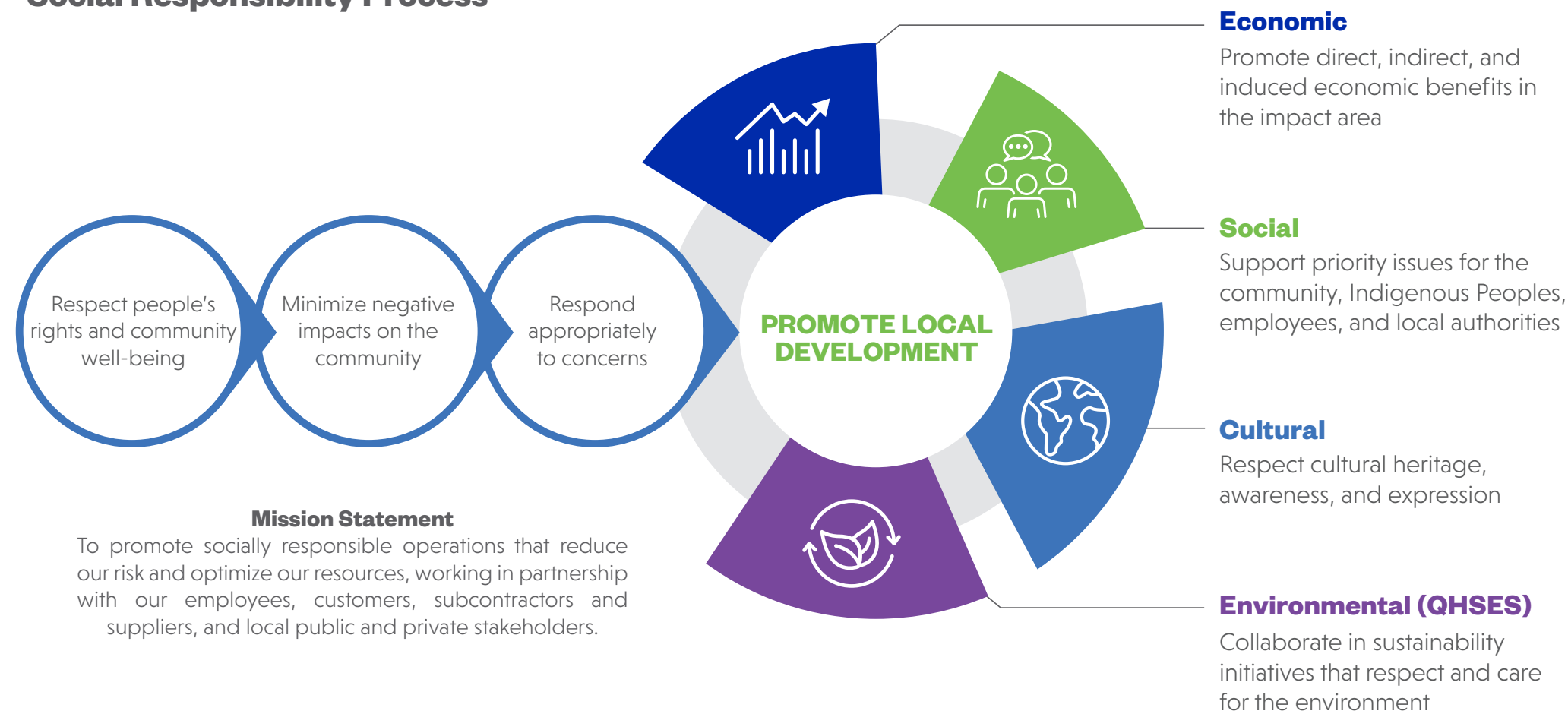
# Social Management System

Our [Code of Business Conduct and Code of Ethics](#) and Human Rights and [Social Responsibility Policy](#) were developed with guidance from international best practices to reflect the diverse people, cultures, contexts, and communities where we operate. Our Social Management System, procedures, due diligence tools, and training and education resources are available to all McDermott employees.

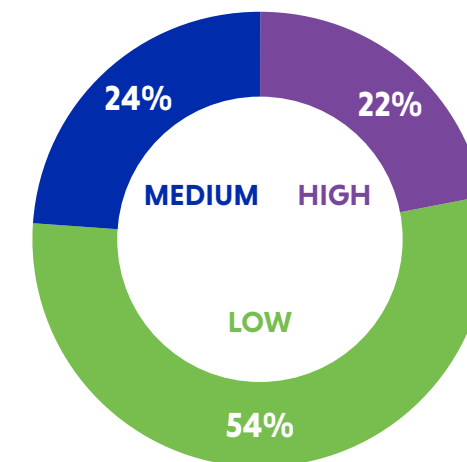
Our operational sites are required to undergo an initial (Level 1) Social Risk Assessment prior to project start up to identify and evaluate the initial social risks and potential impacts. These risks and impacts are then categorized as high, medium, or low. The Level 1 Social Risk Assessment considers both risks to our operations and the host community from our operations.

Based on the risk level identified during the Level 1 Social Risk Assessment, a Level 2 Social Risk Assessment for the operational site may be conducted to further evaluate potential host community risks and impacts from our operations. We use the findings of the assessment to identify and implement appropriate mitigation measures to avoid or minimize negative impacts.

## Social Responsibility Process



## 2021 Social Risk Level – Operational Sites



**In 2021, 59 sites conducted Level 1 Social Risk Assessments and 9 active operational sites conducted Level 2 Social Risk Assessments. All these sites were classified as high social risk and impact areas. Our local teams develop social responsibility plans to then offset, avoid, or minimize relevant risks and impacts to the operations and community.**

## SOCIAL RISK AND IMPACT MANAGEMENT

Management of social risk and impacts is part of our Social Responsibility Process. Social Risk Assessments are performed at the proposal stage and are used to assist in developing a context-specific Social Responsibility Plan for each operational significant site. The Plan is focused on addressing and mitigating social risks and impacts, providing for stakeholder engagement and community grievance mechanisms, and optimizing benefits for local content, diversity, and social investment.

**70%**  
OF SIGNIFICANT SITES  
**HAVE SOCIAL RESPONSIBILITY PROGRAMS**

## Categories of Social Impacts Identified for Significant Sites in 2021



## Community Engagement

Building strong relationships and maintaining continuous dialogue with communities is fundamental to responsible business conduct and creating positive impacts. McDermott is committed to responsibly engaging with stakeholders in collaboration with our customers. Our local teams conduct stakeholder mapping exercises and establish engagement strategies, wherever applicable. Stakeholder engagement activities inform our local content efforts, short and long-term social impact planning and management, and social investment programs.

As an example of continuous community engagement, in the Borstar Bay 3 Project, each month, McDermott management and client personnel attend a community meeting (CCap) to address any concerns the individuals may have regarding the project. The number of attendees varies from 20-30 each month.

**McDermott is committed to responsibly engaging with stakeholders in collaboration with our customers.**



## ENGAGING WITH INDIGENOUS COMMUNITIES

At McDermott, we work with our customers to build meaningful relationships with Indigenous communities located near our operating sites. Where potential impacts to Indigenous Peoples exist, McDermott works to respect the rights of Indigenous Peoples through site-specific strategies that address:

- Consultation and meaningful engagement
- Opportunities for training, employment, and supply chain participation
- Cultural awareness training and cultural heritage management processes

We are committed to respecting the diversity of culture and unique history, traditions, and beliefs of each Indigenous group.

## COMMUNITY GRIEVANCE MECHANISMS

We use community grievance mechanisms to provide a pathway for stakeholders to express concerns, inquire about our operations, and solicit purposeful feedback. Members of our host communities may contact local McDermott teams through a variety of mediums, including email, telephone, and the use of drop boxes and forms at site security entrances. To promote awareness of our community grievance mechanisms, we establish notices at our security entrances, discuss the process at community meetings, and provide handouts to employees and subcontractors for them to distribute as needed in local languages and as culturally appropriate.



## SOCIAL INVESTMENT AND SUSTAINABLE ECONOMIC DEVELOPMENT

As a global company, McDermott seeks to support economic sustainability in both developed and developing countries. We work to bridge and support underrepresented and women-owned businesses and implement key workforce development initiatives. Our Social Investment approach includes identifying key community development opportunities that strengthen positive local economic impacts, especially through skills building, education, small business development, and other key programs that build capacity and create opportunity.

### Key Steps for Establishing Social Investment Process



\*McDermott Criteria include Alignment with:

1. MDR Sustainability Goals
2. UN Sustainable Development Goals
3. MDR Human Rights & Social Responsibility policy

The development, implementation, monitoring, and ongoing sustainability of social projects is done in collaboration with community members. We invest in projects that can provide benefits to the local communities beyond our initial engagement. Partnering with community members on social responsibility projects not only helps fulfill a direct need but also promotes capacity building and development. A key component of our community investment strategy is to evaluate results of investment programs to assess the project's impact, develop lessons learned, and provide knowledge for duplication across other operating areas. Our process provides us with the capability to continuously improve our community development and social investment practices.

**CASE STUDY: 2021 Social Responsibility Initiatives in India** Social Responsibility is a fiduciary requirement in India enacted under the Companies Act, established in 2013. India requires that two percent of three years' average profit before tax must be spent on social responsibility activities, including, but not limited to, infrastructure, sanitation, healthcare and medical, education, women empowerment, and local community development.

We actively engage with our host communities to identify opportunities to implement social responsibility initiatives that align with the UNSDGs. These initiatives are carried out with local implementation partners in communities located within 50 kilometers of our local offices.

In 2021, we successfully implemented two significant social responsibility projects across several host communities in India:

**Providing Renewable Energy for Schools:** Installation of a solar power plant and a solar-powered reverse osmosis (RO) water treatment system in ten schools in Haryana (Pataudi and Gurgaon) and Tamil Nadu (Chennai). The initiative reduces 9 tons of carbon dioxide (CO<sub>2</sub>) emissions per year and provides 650 kiloliters of refrigerated, RO-purified drinking water to 10,000 students and faculty. The project contributes to harnessing the energy value chain to provide clean, engineered solutions to support building a more sustainable future for our communities.

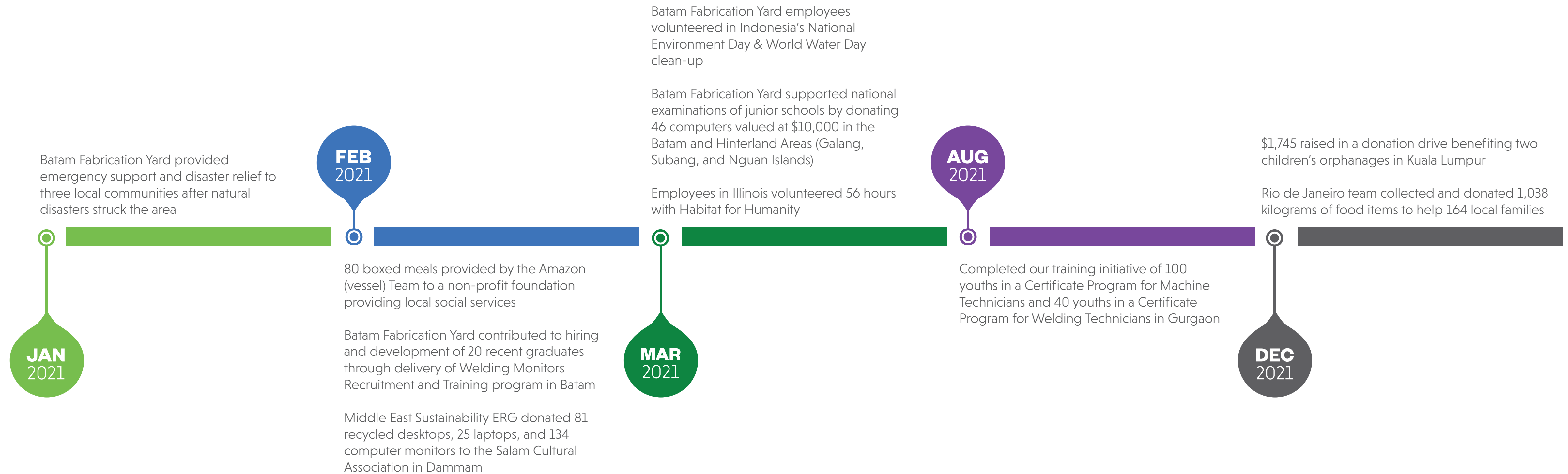
**Rainwater Harvesting:** Improving water security for 1400 residents of three villages near Chennai. McDermott worked with community members to restore three ponds by adopting a specific de-siltation process and installed rooftop rainwater harvesting in over 288 households. This initiative improved agricultural output from approximately 100 acres to 200 acres and increased the availability of quality water for human and livestock consumption for an extended period of six to eight months.



Our Social Investment is an essential component to maintaining our social license to operate. In 2022, we plan to engage in the following impact projects:

- Completing an impact study with respect to the water table for our Rainwater Harvesting project carried out in three villages near Chennai, India
- Implementing our social investment programs in Uganda focused on women entrepreneurship and agricultural improvements
- Deploying waste management and recycling training in Batam, Indonesia. This initiative will reduce plastic pollution and provide a means for community members to increase family income

# 2021 Social Investment Initiatives



## Local Content

McDermott's local content programs are both voluntary and regulated. We focus on economic and social well-being, while seeking to increase local employment directly with McDermott and indirectly through supply chain opportunities.

In Batam, for 2021, 99 percent of workers on site were local and 51 percent of McDermott employees in management positions were Indonesian. In the UAE and Saudi Arabia, the combined local economic value distributed through McDermott's operations in 2021 was \$250 million USD.

### LOCAL WORKFORCE DEVELOPMENT

Our workforce development approach is focused on building local skills and recruiting local workforces. McDermott's activities encompass mentoring and preparing students and participants alike, developing and strengthening training institutions, and building technical capabilities in the community. We reach out to local communities to strengthen skills and overall job preparedness for people of all ages who are seeking various career opportunities with McDermott. This can take on many forms based on local content, local context, and local needs.

#### INVESTING IN TRAINING PROGRAMS:

**McDermott continues to invest in programs in partnership with community colleges, universities, technical and vocational schools, government training centers, and other public and non-profit organizations to prepare the local workforce for employment. Our partnerships focus on both short-term benefits and long-term sustainability. Since 2020, McDermott has sponsored 12 candidates through a vocational training program at the Leading National Academy (LNA), Saudi Arabia's first vocational training institute for women with focus on training in HSE, Quality, Supply Chain, and other industry-relevant fields. These LNA candidates will join our workforce in Saudi Arabia in 2022.**



**CASE STUDY: GEDP Success Story - Graduate Engineer to Country Manager:** "In 2007, I began my professional journey with McDermott as part of the GEDP, working in our Jebel Ali fabrication yard. My last rotation was on a water injection project in the UAE, where I completed the 3-year GEDP and continued as a Project Engineer, and later as a Package Engineer, until late 2011.

In late 2011, I secured the opportunity to join our largest offshore project at the time, offshore Western Australia. It was a completely different experience and the first time I was exposed to the world of subsea operations. In Australia, I was able to advance my career and elevate my professional aspirations.

In 2017, I returned to Dubai to join a project as an Interface and Assurance Manager. I was later designated as a Marine Manager, and eventually as a Project Manager responsible for completing and closing out the project. In late 2019, I moved to Kuala Lumpur. I was privileged to be able to work on McDermott's largest offshore project, with a best-in-class team, for the third time in my career.

Altogether, these achievements played a significant role in my professional development and facilitated the nomination to my current role as Country Manager for Mauritania and Senegal. In this role, my primary focus is to enhance McDermott's reputation in Mauritania and Senegal and to increase our footprint in Africa.

– Eslam Ezzeldin, Country Manager for Mauritania and Senegal

#### 2019 GRADUATE ENGINEER TRAINEES GRADUATE IN CHENNAI:

**The 2019 cohort of Graduate Engineer Trainees (GETs) in Chennai successfully completed their training in August 2021 and graduated as Associate Engineers. Thirty-four trainees were recruited from prestigious universities in India and assigned to various departments at McDermott, joining our Graduate Engineer Development Program (GEDP), a two-year training and development program designed to provide recent graduates with exposure to a range of disciplines that support the business. The GEDP program is focused on providing 360-degree training that includes inter-discipline, function, and department training, technical, software, soft skills, and site visits to Kattupalli yard spool base and Lay Vessel North Ocean 105 (LVNO-105). The training helped the students to increase their knowledge of the energy sector, develop skills, improve team development, and communication with their peer groups.**



## SUPPLIER DEVELOPMENT

We continue to contribute to social and economic development by promoting opportunities for local and diverse businesses in our supply chain.

## SUPPLY CHAIN SPEND

In 2021, McDermott spent nearly US \$3.3 billion globally on more than 1000 local businesses. Hiring local businesses to provide goods and services for McDermott's projects is an important component of our commitment to contribute to sustainable economic growth in the places where we work and is a contractual requirement in some countries where we operate.

# 2021 SUPPLIER DIVERSITY COMMITMENT

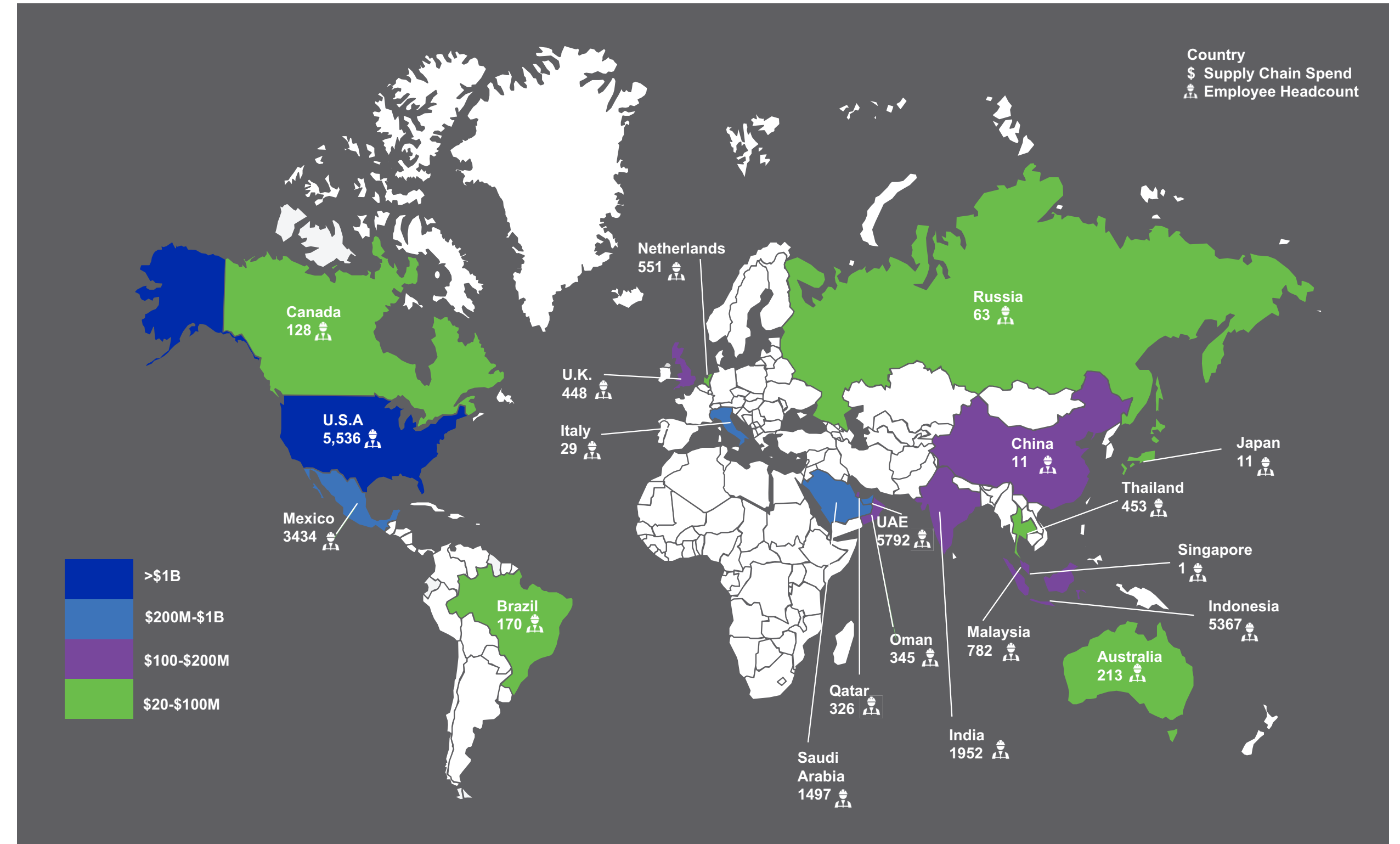
**\$95** MILLION SPEND WITH DIVERSE AND SMALL BUSINESSES

**\$6.5** MILLION SPEND WITH VETERAN OWNED BUSINESSES AND DISABLED VETERAN OWNED BUSINESSES

**\$8.5** MILLION SPEND WITH MINORITY BUSINESSES

**\$14.7** MILLION SPEND WITH WOMEN-OWNED BUSINESSES

## 2021 Supply Chain Spend



### MCDERMOTT JOINS SUPPLIER DEVELOPMENT WORKSHOP IN UGANDA:

McDermott participated in a supplier development workshop in Uganda as part of our commitment to embed local content opportunities in the countries where we operate. The event was one of a series of workshops designed to give companies in Uganda an official channel to learn more about the status of the Tilenga project, demonstrate their interest in doing business with McDermott, and learn about pre-qualification requirements. For 2021, we achieved 90 percent of positions held by Ugandans in the Project and spent over US \$126 million with local suppliers.

Local content is an essential component of our ongoing local development initiatives. In 2022, we plan to:

- Implement Phase II of our Skill Development Program with a specific focus on women and inclusion.
- Deploy a mobile medical unit to provide healthcare services and facilities to site employees at Indian Oil Corporation Limited (IOCL) sites in Barauni, Bihar, and Haldia in West Bengal.
- Begin capacity development programs for local workforces and continue our local supplier capacity development in Uganda.

# Human Rights

We respect people and human rights. McDermott embraces its duty to avoid causing or contributing to negative human rights impacts, and we endeavor to lead by example, demonstrating our commitment to uphold and respect these rights without discrimination.

Our Human Rights in the Workplace Guideline details McDermott's ongoing commitment to providing safe and favorable working conditions for our employees. We follow applicable labor laws and the [International Labor Organization's \(ILO\)](#) core conventions, including prohibition of forced labor, human trafficking, and child labor. We also follow the ILO's [Declaration on Fundamental Principles and Rights at Work](#), supporting freedom of association and effective recognition of the right to collective bargaining. Further eliminating discrimination in respect of employment and occupation.

McDermott's internal human rights working group develops guidance for human rights processes in our organization. We track human rights risks by country and monitor supply chain risks that have been identified in our industry, such as access to identity documents for migrant workers, employment contracts, workforce living conditions, responsible recruitment, and access to culturally appropriate grievance mechanisms. We apply expanded human rights due diligence as part of our social responsibility at certain sites. In 2021, McDermott identified and trained 7,433 employees in Human Rights matters.

We published and integrated our Human Rights Due Diligence Guideline into our Social Management System in 2021 to further our commitment to respecting human rights. Developed in accordance with IPECA guidelines and Building Responsibly Principles, this process enables us to identify, prevent, mitigate, and account for how we address actual and potential adverse human rights impacts in our operations and supply chain.

**In 2021, we screened 100 percent of new suppliers on human rights issues prior to allowing registration in our supplier portal. Our inquiries covered child labor, forced labor, human trafficking, labor rights, and working conditions.**

**We have an unwavering commitment to respect human rights. In 2022, we plan to:**

**Conduct human rights audits at all our significant sites**

**Deploy human rights training consisting of various modules developed in collaboration with IPECA, including topics pertaining specifically to child labor and forced labor**

## HUMAN RIGHTS SELF-ASSESSMENTS AND INTERNAL AUDITS

At McDermott, we conduct human rights self-assessments and internal audits to identify and evaluate potential human rights risks and gaps in our projects and operations. We have modeled our human rights self-assessment process on the Human Rights Self-Assessment Tool published based on Building Responsibly Principles.

In 2021, we performed a desktop project human rights audit with our Sustainability and Internal Audit Teams. We also engaged a third-party company to support a human rights audit focused on migrant workers of subcontractors in the United Arab Emirates (UAE). Additionally, we completed our first human rights audit, including worker interviews and inspections of worker living and working conditions, also in the UAE.

We assess the effectiveness of our actions by reviewing grievance trends, the results of human rights self-assessments, and internal audits. Beginning in 2020, we introduced human rights indicators into our sustainability reporting, including the number of human rights self-assessments and the number of human rights internal audits.

## FORCED LABOR AND CHILD LABOR

McDermott prohibits forced labor of any form. This includes, but is not limited to, slave labor, forced labor, indentured servitude, prison labor, or child labor. All individuals employed by McDermott and our suppliers and contractors must meet the minimum applicable legal age requirements or be over 18 to be allowed at our construction and fabrication yards.

In 2020, we published our [Modern Slavery Statement](#), which describes our actions taken to identify modern slavery risks in our business and supply chain and sets out the procedures to address risks. Material modern slavery risks applicable to our operations include the potential for forced labor issues with construction subcontractors that employ migrant workers from developing countries.

We partnered with a third-party that provides a due diligence platform specific to forced labor, enabling us to verify recruitment processes for vulnerable migrant workers in certain high-risk locations.

## HUMAN RIGHTS-RELATED GRIEVANCES

In 2021, McDermott received 24 grievances related to Human Rights. All of these grievances were addressed through proper investigation and appropriate actions.



# Governance

## WHY IT MATTERS

Robust corporate governance is critical to achieving our goals and our business success. We are committed to consistently implementing best practices that support our corporate values. Our governance activities, reflected in part in our Code of Business Conduct and Bylaws, are designed to integrate and strengthen our enterprise risk management programs and achieve compliance with applicable laws and regulations in the countries where we operate.

## HOW WE DO IT

We conduct our business in accordance with high ethical standards based on integrity, reliability, fairness, mutual respect, and trust. We lead by example. In doing so, we honor our legacy and strengthen McDermott for the future.

## WHERE WE'RE GOING

We will continue to strengthen our corporate governance and align our business, sustainability, and energy transition strategies. In 2022, we plan to:

- Drive a safe-to-speak-up culture and implement our “Speak Up” campaign across all operational sites with a focus on craft employees and subcontractors to build awareness and increase understanding and use of the grievance process
- Provide education and training to support identification of human rights concerns, violations, or incidents of discrimination



## Corporate Governance and Board Oversight

Our Board of Directors guides our strategic direction, including our sustainability and ESG strategies, promoting the highest standards of integrity.

The members of the McDermott Board of Directors bring a diverse range of relevant skills, experiences, and perspectives. This includes significant experience in the oil and gas industry, energy, risk oversight and management, environmental, social and governance (ESG) and sustainability, energy transition, technology and innovation, health, safety, and environment (HSE), finance, investment banking, international operations, and government. The combination of these areas of expertise contribute to sound governance and effective oversight of McDermott's performance and long-term business strategy.

The McDermott Board has four committees, each responsible for specific areas of oversight and governance: the Audit Committee, Governance Committee, Risk Committee, and Compensation Committee. Each Committee chair has specific relevant experience and expertise.

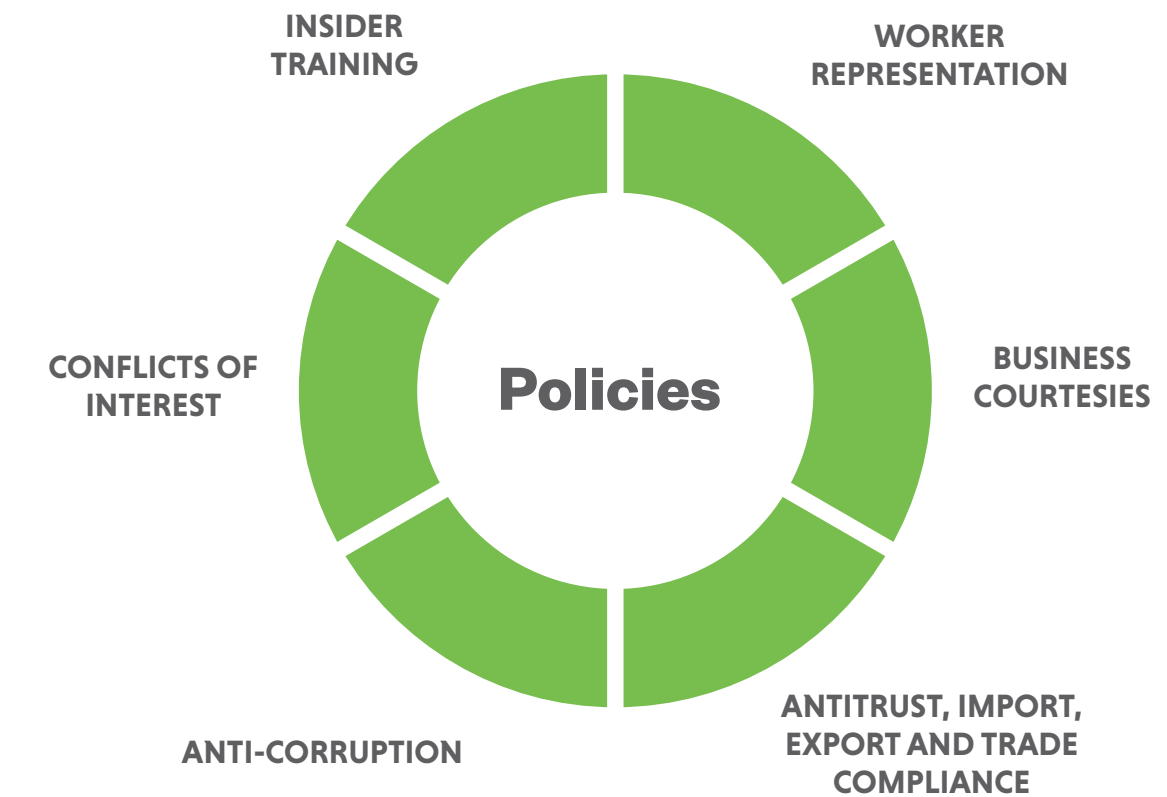
Our Board of Directors recognizes the benefits of diversity and believes that any search for potential director candidates should consider diversity as to gender, race, ethnic background, and personal and professional experiences. Additionally, our Board of Directors has adopted Corporate Governance Guidelines to guide any independent director search firm retained to assist the Governance Committee to identify director candidates, including diverse candidates in terms of race, ethnic background, and gender.



For more information about our engagements with suppliers, please visit the [Social Responsibility section](#).

## Business Ethics

McDermott's commitment to ethics and integrity is the foundation of how we conduct our business. Our commitment is supported by policies, management systems, and processes. Our [Code of Business Conduct](#) guides our daily interactions and practices and empowers employees and contractors to do the right thing, speak up, and make suggestions for continual improvement. We believe this is a core component of building a sustainable business for the benefit of our owners, employees, customers, business partners, and the communities in which we operate.



### CODE OF BUSINESS CONDUCT OVERSIGHT, TRAINING, AND COMPLIANCE

As a global company, we take ethics and integrity and compliance standards seriously. We expect our employees, suppliers, subcontractors, and other business partners to uphold our Code of Business Conduct principles. Leadership and oversight of our Ethics and Compliance program are provided by the Chief Ethics & Compliance Officer, the Executive Committee, and the Board of Directors. We communicate regularly with employees, suppliers, subcontractors, and partners on our values and compliance-related policies and procedures. All new employees are required to review and acknowledge our policies upon joining McDermott. Employees at and above the technical and professional specialist levels complete mandatory Code of Business Conduct training annually. In 2021, our training included modules on Anti-Bribery and Anti-Corruption, Conflicts of Interest, Forced Labor and Human Trafficking, and Workplace Harassment, among others.

### SUPPLY CHAIN MANAGEMENT

Our suppliers play an essential role in the success of our projects and are often seen as a reflection of our company. We expect our suppliers to adhere to our fundamental values, policies, and procedures and apply these same principles in conducting their business.

Suppliers who work at McDermott sites are required to comply with all regulatory requirements and to acknowledge and agree to McDermott's policies and commitments, including our [Code of Business Conduct and Human Rights expectations](#). Prior to working with any new supplier, we conduct due diligence to evaluate their conformance to issues that are material to McDermott and to identify and address any potential risks to both McDermott's business and sustainability efforts.



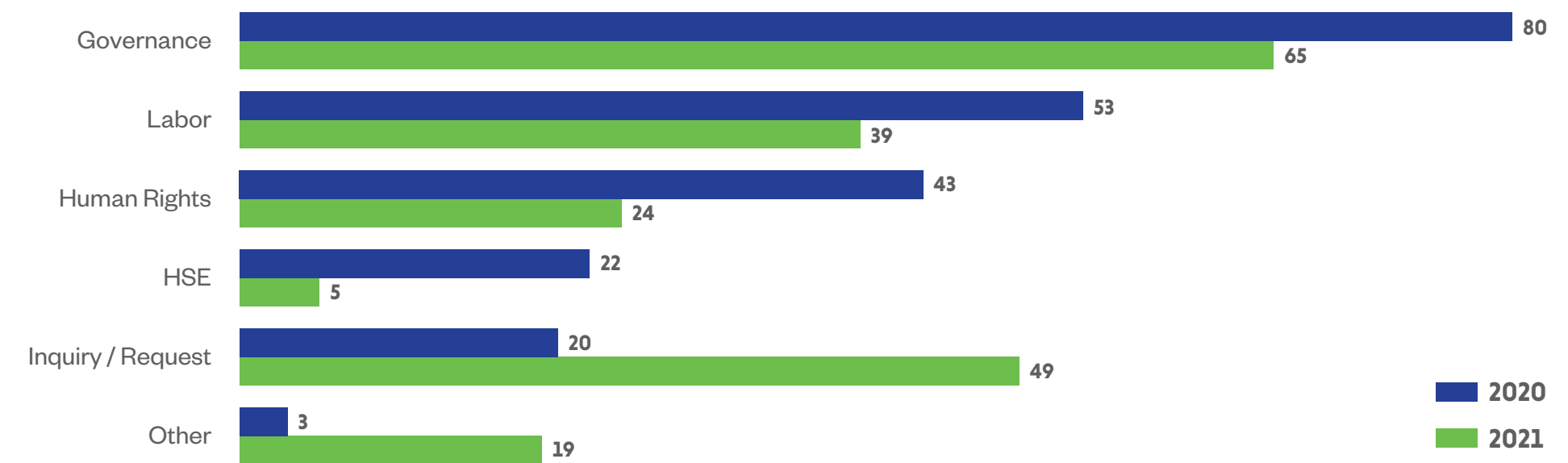
## ETHICS HELPLINE

All stakeholders, including employees, contractors, suppliers, and community members, are encouraged to report concerns, questions, or suspected violations of McDermott’s Code of Business Conduct through our independent, third party-maintained Ethics Helpline<sup>2</sup>. The Ethics Helpline is available 24 hours a day, seven days a week, with translation and interpretation support in more than 30 languages. Those using the Ethics Helpline have the option to report anonymously, and we maintain strict rules and confidentiality. We include Ethics Helpline information in onboarding presentations and annual global communication materials translated into multiple languages to facilitate awareness, understanding, and use, and to support our continuous improvement.

In addition to using the Ethics Helpline, employees can report suspected violations of our Code of Business Conduct by emailing or calling the Ethics and Compliance Team directly. Each report received is handled promptly, discreetly, and professionally with appropriate investigation and action.

When an ethics-related complaint is received, it goes through a rigorous investigation process. We have goals around timeline resolution, and all investigations are documented, whether claims are substantiated or unsubstantiated, with appropriate feedback to the reporter, unless anonymous. These investigations and documentation help us identify lessons learned and focus areas for communication and training.

### Grievances Received from Ethics Helpline\*



\*Our Ethics Helpline is hosted by an external third party so that reporters have the option to remain fully anonymous. McDermott has dedicated specialists within our internal Ethics & Compliance function who are committed to full investigation of every concern or claim about a breach of our Code of Business Conduct. We maintain a stringent zero retaliation policy to protect any person making an allegation in good faith.

<sup>2</sup> Reports may be submitted in person, by telephone, through email at [ethics@mcdermott.com](mailto:ethics@mcdermott.com), via the [web](#), or by contacting our Ethics Helpline at the telephone number designated for the employee’s work location.



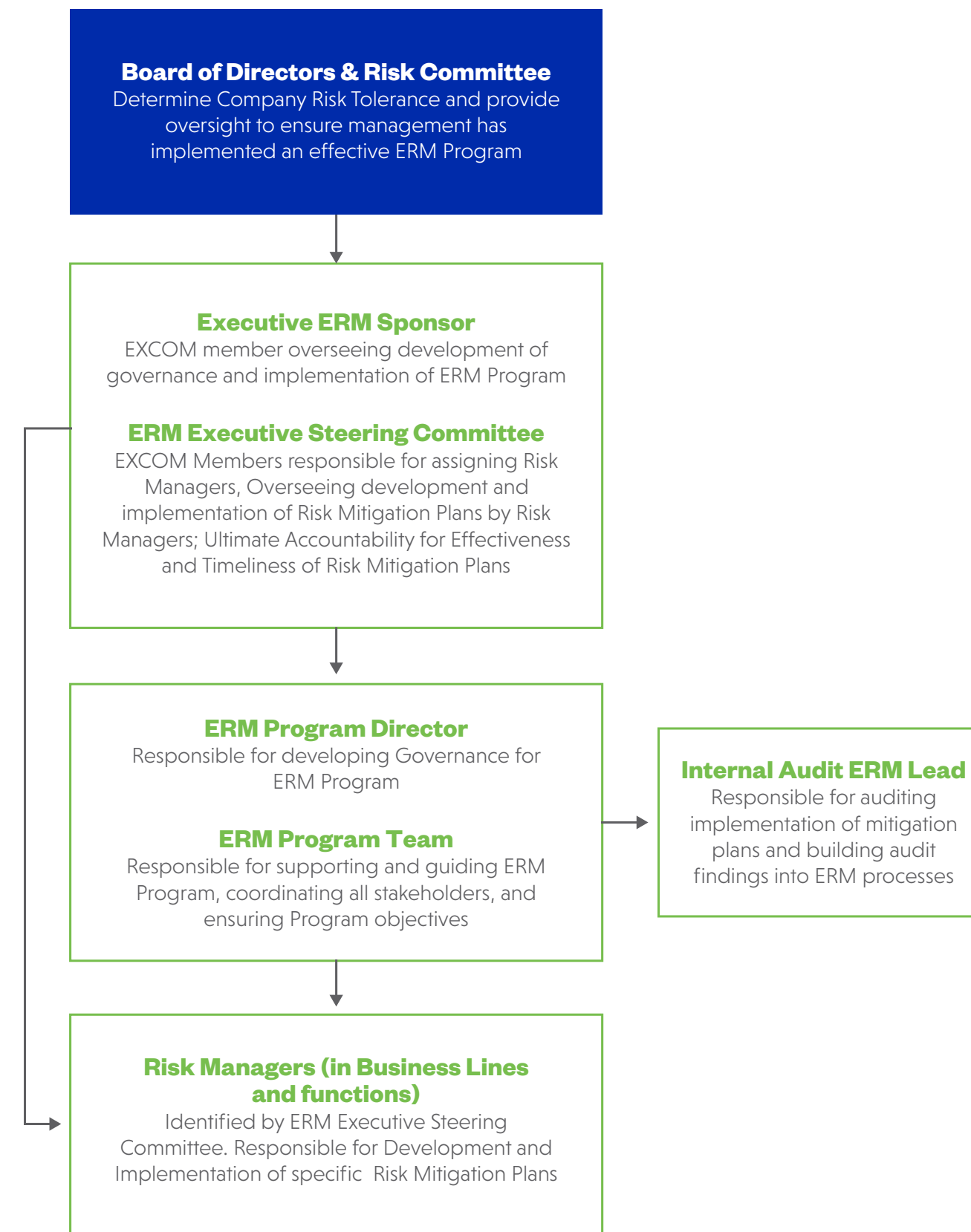
# Enterprise Risk Management

McDermott's Enterprise Risk Management (ERM) framework is aligned with ISO 31000:2018, an internationally recognized risk management process tailored to fit our business and risk profile. Our system is designed to solicit input from multiple areas of the business and multiple categories of employees to identify, assess, and manage enterprise-level risks and review the effectiveness of our risk mitigation strategies. Within our framework, we maintain a continuous and dynamic ERM process to adjust to internal and external developments. This includes identifying and responding to emerging risks to continue our ability to operate and efficiently allocate resources.



Our ERM Program, led by Executive Vice President, Sustainability & Governance, is overseen by The Risk Committee of our Board of Directors. The program, enhanced in 2021, is designed to discuss, develop, standardize, and integrate risk management best practices throughout our organization and to support risk-based decision making. Improvements in 2021 included driving greater interaction across various areas of expertise and operation such as sustainability, safety, energy transition, finance, and operations. Collaboration across these teams increases diverse thinking and drives stronger risk assessment and management. Our program, with executive leadership, generates better plans for long-term success and business resiliency.

## ERM Organizational Structure & Overview of Responsibilities



Our Board and Executive Leadership Team routinely review and discuss enterprise-level risks and mitigation plans. The Internal Audit Team assists in auditing the implementation of mitigation plans and building audit findings into the ERM process.

## CYBERSECURITY AND DATA PRIVACY

McDermott recognizes that there are ever-evolving, inherent risks associated with cybersecurity and data privacy in the industry in which we operate. Protecting our information and identity is part of our culture and Code. We honor confidentiality and continue bolstering our procedures and practices to protect our company's, employees', and customers' personal and proprietary data and information.

The nature of our business sometimes requires working with highly sensitive and confidential customer data and personally identifiable information (PII). Our success, in large part, depends on how well we manage the electronic records we create to support our customers and employees. Our employees are required to protect, manage, and dispose of electronic information in accordance with our records management and records retention policies. Depending on the job function of the employee or the function of the person who creates the electronic records, each record may require review prior to deletion. All employees are required to contact their records manager, liaison, or coordinator for additional guidance with respect to electronic record management.

Our comprehensive employee training and awareness program around cybersecurity and data privacy includes regular communications, security blog "Let's Talk Security" by Global Cyber Security leader, focused in-person and virtual training during annual security week, which includes external speakers from government agencies, and quarterly data privacy training provided to employees who most often process employee PII. McDermott is audited internally and externally for compliance with our internal policies:

- Annual security awareness training is mandatory for employees and contractors assigned email accounts or internet access
- Users failing a phishing test are required to complete security awareness training at time of failure. User compliance is enforced with removal of access to the internet until training requirement is completed.

McDermott is continually working to safeguard our information from cybersecurity attacks. As part of our response to the COVID-19 pandemic, we implemented flexible work schedules for our employees, wherever possible. The combination of working from our offices, sites, and homes has required additional resources and focus from our Information Technology (IT) team to better protect and secure our data and access to our systems. We continue to monitor our systems and perform vulnerability tests to keep our employees' and customers' information secure.





## PUBLIC POLICY AND POLITICAL LOBBYING

At McDermott, we value participation in the political process while recognizing and respecting the various viewpoints and affiliations of our employees. We encourage our employees to participate in the political process, while keeping in mind that company policy and the law require political activity to be an entirely personal matter.

McDermott's political engagement efforts are aligned with our mission to deliver safe, clean, and affordable access to energy. Our political engagements are guided by our Code of Business Conduct, and include how we participate in industry associations, lobbying, and contributions to government agencies and entities. We partner with industry organizations to promote sustainability and leverage opportunities to advance sustainability together.

# Framework Mapping Index

\*McDermott used these international frameworks as a guide for the 2021 Sustainability Report. References indicate full or partial alignment to the standard. McDermott does not claim compliance with these standards. This index is intended to help stakeholders navigate to related topic areas.

MCDERMOTT 2021 SUSTAINABILITY REPORT - SECTION	GRI STANDARDS (2016)*	SASB DISCLOSURE (IF-EN)*	SUSTAINABLE DEVELOPMENT GOALS*
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<b>OUR PATH FORWARD</b>			
President and CEO Letter	102-14		
EVP Letter			
Progress on Our Sustainability Goals: 2021 Achievements			
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Who We Are	102-2; 102-3; 102-6; 102-7; 102-16		
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<b>SUSTAINABLE SOLUTIONS</b>	<b>102-2; 102-6</b>	<b>IF-EN-410a.2</b>	<b>7, 9, 12, 13</b>
Climate Change	201-2		
NetZero Solutions			
Hydrogen			
Circular Economy			
Carbon Capture			
Offshore Wind			
Innovation and Digitalization			
The Pivot Point			
<b>ENVIRONMENTAL MANAGEMENT</b>	<b>103-2</b>	<b>IF-EN-160a.2</b>	<b>6, 12, 13, 14, 15</b>
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Business Ethics	102-17; 102-33; 102-34; 102-44; 205-2	IF-EN-510a.3	
Enterprise Risk Management	102-29; 102-30; 102-31		



# Task Force on Climate-related Financial Disclosures (TCFD) Index

McDermott's climate reporting is guided by the recommendations of TCFD. We continue to strive to be fully compliant with the recommendations in the future. McDermott does not claim compliance with these standards. This index is intended to help stakeholders navigate to related sections.

TCFD DISCLOSURE DESCRIPTION	LOCATION IN MCDERMOTT 2021 SUSTAINABILITY REPORT	FULL, PARTIAL, OR NO DISCLOSURE
<b>GOVERNANCE: Disclose the organization's governance around climate-related risks and opportunities.</b>		
Recommended Disclosure a) Describe the board's oversight of climate-related risks and opportunities	Climate Change; Enterprise Risk Management	No disclosure
Recommended Disclosure b) Describe the management's role in assessing and managing climate-related risks and opportunities	Climate Change; Enterprise Risk Management	Partial disclosure
<b>STRATEGY: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.</b>		
Recommended Disclosure a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long-term	Climate Change	No disclosure
Recommended Disclosure b) Describe the impact of climate-related risks and opportunities on the organizations' businesses, strategy, and financial planning	Climate Change	No disclosure
Recommended Disclosure c) Describe the resilience of the organizations strategy, taking into consideration different climate-related scenarios, including a 2-degree Celsius or lower scenario		No disclosure
<b>RISK MANAGEMENT: Disclose how the organization identifies, assesses, and manages climate-related risks.</b>		
Recommended Disclosure a) Describe the organization's processes for identifying and assessing climate-related risks	Climate Change; Enterprise Risk Management	No disclosure
Recommended Disclosure b) Describe the organization's process for managing climate-related risks	Materiality; Climate Change; Enterprise Risk Management	Partial disclosure
Recommended Disclosure c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated in the organization's overall risk management	Climate Change; Enterprise Risk Management	Partial disclosure
<b>METRICS: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</b>		
Recommended Disclosure a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	Climate Change	Partial disclosure
Recommended Disclosure b) Disclose Scope 1, Scope 2, and if appropriate Scope 3 greenhouse gas (GHG) emissions and the related risks	GHG Emissions	Partial disclosure
Recommended Disclosure c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	Our Sustainability Goals; Environmental Management	Partial disclosure

