

# TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) INDEX

McDermott’s climate reporting is guided by TCFD recommendations. We are candid and do not claim full TCFD compliance. This index is designed to help stakeholders understand the extent of our alignment with the TCFD recommendations, which we are advancing year on year.

## GOVERNANCE

**TCFD Recommendation: Disclose the organization’s governance around climate-related issues and opportunities.**

The Governance Committee of McDermott’s Board of Directors oversees our identification, assessment, and management of climate-related risks. The Committee meets quarterly to review our sustainability strategy and monitors progress through the year.

Our Executive Vice President (EVP) of Sustainability and Governance and Executive Committee provide direction of our business strategy, including climate change. They periodically assess material climate risk and appoint risk owners. Our EVP reports to the Board’s Governance Committee quarterly on material climate-related developments.

McDermott's Sustainability Director and team are responsible for execution of our sustainability strategy, including assessment and management of climate-related risks. They interface with identified risk owners to ensure appropriate and timely mitigation plans are in place and actioned.

## STRATEGY

**TCFD Recommendation: 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.**

We have identified climate-related risks and opportunities under the headings of emerging regulation, technology, legal, market, reputational, acute physical, and chronic physical. These are applicable to our operations across short, medium and long-time scales.

Impacts of climate-related risks and opportunities on our business, strategy and financial planning are managed with a strong focus on health and safety, continuity of operations, and evolving global energy systems. These encompass the wellbeing of our workforce and host communities, vessel, fabrication yard and construction site activities, and helping our customers responsibly develop, produce and deliver the energy needed to meet growing demand.

Our climate-related risk assessment carried out in 2023 used the following NGFS (Network for Greening the Financial System) scenarios to guide mitigations for a range of credible future outcomes: the Net Zero 2050 scenario to indicate early technology adoption, Divergent Net Zero and Delayed Transition scenarios to provide an extreme for transition risks, and the Current Policies scenario to provide an extreme for physical climate-related risks.

# CLIMATE RISK MANAGEMENT

**TCFD Recommendation: Disclose how the organization identifies, assesses, and manages climate-related risks.**

We manage risks to McDermott's business and stakeholders, including physical and transitional climate-related risks as part of our Enterprise Risk Management (ERM), through the following activities on an annual cycle:

- Each identified risk is assigned a risk manager who develops mitigation plans and provides up-to-date information on the risk register,
- Quarterly review of risks by the Board of Directors Risk Committee.
- Audits of the implementation of mitigation plans by an internal audit team.

We perform the following activities on an annual cycle for identification and assessment of enterprise risks, including climate-related risks: Survey of stakeholders and executive management to identify and score risks based on potential impact and likelihood, interviews or scenario analysis as needed for new categories of risk, review of priority risks by executive management and the Board, and periodic reassessment of risk scores by subject matter experts.

The risk identification process and its results are reviewed by senior operations leadership and then by Executive Management and the Board and reflected in a heat map.

We manage risks to McDermott's business and stakeholders, including climate-related risks, through some standard processes which include activities on an annual cycle: Identified risks need to be addressed with action plans. Therefore subject matter experts/ managers develop mitigation plans and maintain track records of improvements on them. These updates are reviewed by the Board of Directors' Risk committees quarterly with audit of these activities and implementation process for mitigation plans by internal audit teams to ensure accuracy of monitoring and verification.

Identification, assessment, and management of climate-related risks are an integrated part of our enterprise risk management process. Due to the longer time scales and wider range of potential outcomes, qualitative scenario analysis was used to guide the risk assessment stage.

# CLIMATE RELATED RISK AND OPPORTUNITIES IMPACT OUR BUSINESS

We anticipate that energy transition projects will form an increasing share of our backlog. Examples in our current portfolio include high-voltage direct current (HVDC) substations for offshore wind farms in the German North Sea, hydrogen facilities, and carbon capture and utilization (CCUS) plants.

Both physical and transitional climate risks, as identified above, pose the potential to interrupt our operations and supply chain. We are therefore being proactive in developing mitigation plans for such events and applying the appropriate provisions within our project delivery plans.

At one of our facilities, the Batam Fabrication Yard, we conducted an assessment to understand and mitigate potential climate-related impacts, with data inspection and workshops to analyze

climate scenarios and their potential impact on the yard. The process helped us identify key areas to focus efforts in enhancing resilience:

1.

Disruption of supply chain and logistics
2.

Impact on critical infrastructure
3.

Schedule delays
4.

Labor productivity deterioration
5.

Business interruption to customers

Based on the study, we have developed short-term and long-term recommendations for mitigating risk at the yard. Implementing these recommendations will play an important role in avoiding disruptions to business and reducing potential operational impacts. The recommendations will be subject to ongoing monitoring to ensure their implementation and continued effectiveness.

# METRICS AND TARGETS

**TCFD Recommendation: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.**

To consistently score risks, our enterprise risk management process uses established scales for likelihoods, and for potential impacts under the following categories: financial, reputational, health, safety & security, environmental and social. High scoring risks are subject to strengthened management and oversight measures. Climate-related risks are scored using the same scales as other enterprise risks.

McDermott uses a marginal abatement cost curve (MACC) to identify opportunities to decarbonize our operations, with abatement benefits organized by their potential costs. We continue to evaluate sustainability initiatives based on our values, the needs and targets of our customers, the interests of our employees and stakeholders, and cost-benefit analysis. Please refer to page 46 for disclosure of our 2023 greenhouse gas emissions.

Our company has set climate related targets and tracks progress each year, that can be seen in this report.