MCDERMOTT

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

**Our purpose is to deliver innovative solutions that help customers maximize the potential of natural resources. In alignment with our purpose, we review and disclose how climate-related risks and opportunities can impact our and our customer's operations in line with the recommendations of the TCFD.**

## GOVERNANCE

### TCFD Recommendation: Disclose the organization's governance around climate-related issue and opportunities.

McDermott has a dedicated sustainability function led by the Executive Vice President (EVP) of Sustainability and Governance which manages McDermott's climate strategy, objectives, progress and impact. The EVP reports directly to the Board who have ultimate oversight of our approach to considering climate related risks and opportunities throughout business operations.

In accordance with its charter, the Board is responsible for approving McDermott's annual sustainability report, and individual committees also meet regularly to review specific sustainability topics. McDermott's Board of Governance Committee meets on a quarterly basis to review reports on sustainability progress and material climate related developments. The Board's audit committee meets regularly to review McDermott's sustainability reporting processes and public disclosures.

McDermott's Executive Committee sets the vision and strategic direction of our business, including aspects related to climate change. As part of the Enterprise Risk Management (ERM) process, they are accountable for the effectiveness of mitigations to enterprise-level risks, including climate-related risks.

Read more about McDermott's governance structure on page 8 of this report.

## 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.

McDermott has identified climate related risks over short (1 year), medium (5 years) and long term (> 5 years) time horizons and captured them in the development of McDermott's business strategy.

For a description of the specific climate-related risks and opportunities identified in each time horizon refer to the tables below.

McDermott places a strong focus on health and safety, continuity of operations, and evolving global energy systems when evaluating the impact of climate-related risks and opportunities. These encompass the wellbeing of our workforce and host communities, activities on our vessels, fabrication yards and construction sites, and helping our customers responsibly develop, produce and deliver the energy needed to meet growing demand.

Owners for climate-related risks and opportunities work with McDermott's Sustainability & Governance function to understand the operational impacts, develop mitigations and feed into financial and operational business planning.

McDermott's climate-related risk assessment is based on 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-related physical and transition risks:

Physical risks:

- Unreliable weather forecasting for construction /installation campaigns.
- Extreme weather exceeding facility design limits.

Transition risks:

- Non-compliance with ESG regulations.
- Supply chain disruptions.
- Loss of market in target sectors.

Climate-related opportunities:

- Energy efficiency: Increased use of efficient construction and installation practices.
- Renewable energy: Increased availability and use of alternate energy sources.
- Energy transition: Access to new markets.
- Energy transition: Development of alternate/low carbon solutions.

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## CLIMATE RISK MANAGEMENT

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

Identification, assessment, and mitigation of climate-related risks are an integrated part of our enterprise risk management process. The process employs qualitative assessment of risks, and is guided by selection of an appropriate scenario for each risk.

We use our risk identification process to identify potential exposure to climate-related risks including physical risks (for example floods, wildfires, windstorms and tropical cyclones and heavy precipitation), and transition risks (for example, new ESG regulations and policies).

Review of emerging regulation is part of our integrated management system requirements, in line with ISO standards. McDermott also maintains ISO 140001 and 50001 certifications across an expanding share of our assets, which requires facilities to regularly monitor emerging regulations related to climate change and ensure any impacts are captured in future planning.

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

- Identification, shortlisting and assessment of enterprise-level risks and opportunities.
- Assignment of an owner for each risk, who is responsible for developing mitigations and action plans, and accountable for closing out actions.
- Reviews of material risks by the Board of Directors Risk Committee.
- Audits of the implementation of mitigations by an internal audit team.

At McDermott, we also integrate climate and sustainability considerations into our executive compensation framework as part of our broader risk management strategy. By linking annual sustainability targets to leadership incentives, the company ensures that executives remain accountable for advancing key environmental initiatives. This approach aligns with industry best practices, reinforcing McDermott's commitment to long-term resilience and responsible corporate governance.

Mitigations will include detailed action plans which are specific, measurable and auditable. They may also propose updates to business processes or additional controls.

## CLIMATE-RELATED RISK AND OPPORTUNITIES IMPACT ON OUR BUSINESS

We anticipate the 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, hydrogen facilities, sustainable aviation fuel (SAF), and carbon capture and storage (CCS) plants.

In another example of how McDermott's 100-year expertise in construction and installation can be leveraged to support energy transition, McDermott has been awarded the transportation and installation contract of one of the world's largest offshore Carbon Capture and Storage (CCS) projects in the world and first CCS project in Asia. McDermott will be performing the transportation and structural installation of a 138-kilometer (85 miles) pipeline section, a 15,000 metric tonne (MT) CCS platform jacket in approximately 108m water depth.

Both physical and transition climate-related risks have the potential to interrupt our operations and supply chain. We take proactive steps to develop mitigation plans for such events and apply appropriate provisions within our project delivery plans.

Across our facilities, we are reviewing the impact of increasing temperatures on operations and putting in place heat mitigation measures. These include mandatory breaks during the day, introduction of cool rooms, running heat awareness campaigns, and applying additional insulation on our buildings. Within our Jebel Ali fabrication yard, we have installed solar powered air conditioners for our cranes that enable crane operators to maintain a comfortable work environment without turning on the main engine, thereby saving fuel and emissions without compromising worker comfort, safety or productivity.

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## 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.

McDermott employs a set of growing list metrics to assess and manage climate-related risks and opportunities.

Metrics include:

- Scope 1 and 2 GHG emissions.
- Project backlog and revenue associated with energy transition.
- Construction and Fabrication carbon intensity.
- Vessel intensity.
- Electricity consumed from renewable sources in own operations.

McDermott also utilizes a marginal abatement cost curve (MACC) to identify sustainability opportunities that can be incorporated into the incentive scheme. We continue to evaluate sustainability initiatives based on our values, the evolving needs and targets of our customers, the interests of our employees and stakeholders, and cost-benefit analysis.

To drive meaningful climate action, we have set goals for emissions reduction. **We aim to achieve a net reduction in Scope 1 and 2 emissions by 50% by 2030 against the 2020 baseline, with a commitment to reaching net zero by 2050 against our 2020 baseline.**

Please refer to page 34 for the disclosure of our greenhouse gas emissions.

To consistently score enterprise-level risks, including climate-related risks, our process uses established scales for likelihood and potential impacts under the following categories: financial, health, safety and security, environment, quality, reputation, and social and cultural. Inherent and target risk scores are used to prioritize mitigations and to gauge their effectiveness.