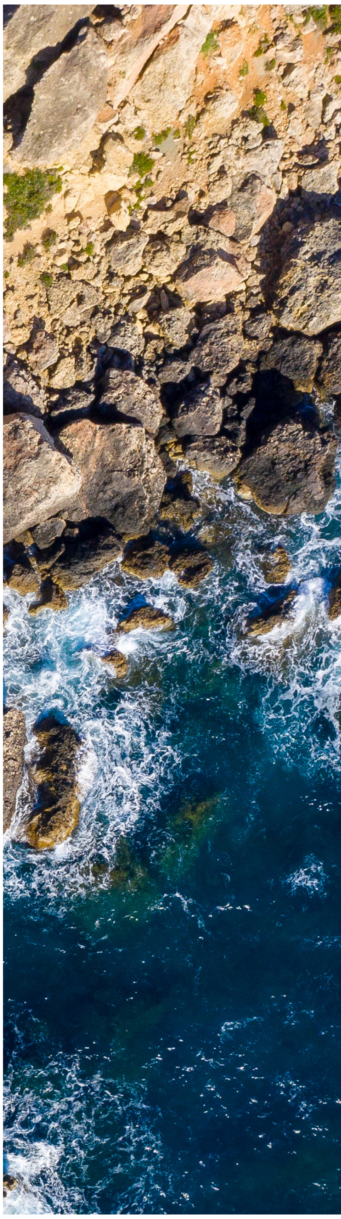
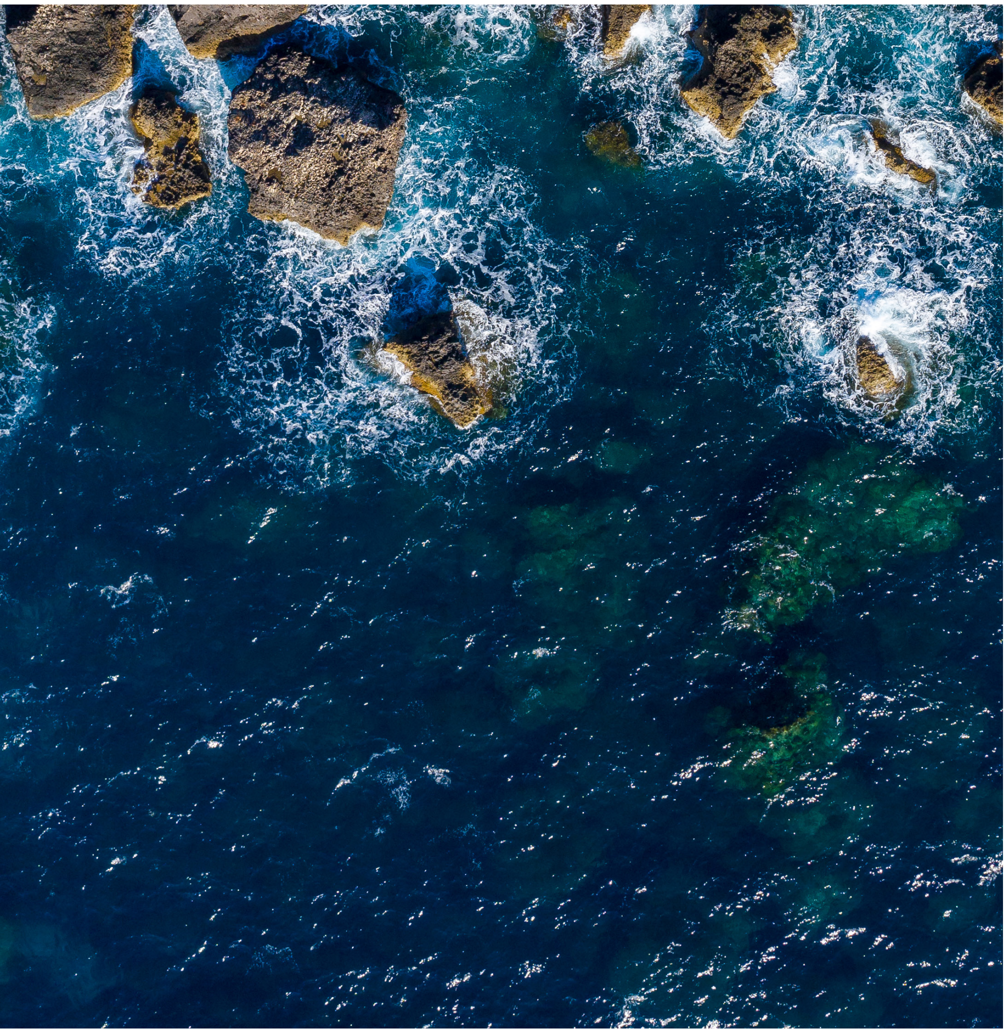
John Wood Group PLC

Task Force on Climate-related Financial Disclosures (TCFD) Report 2023





wood.

Wood is adapting to climate change opportunities, designing the future through delivering solutions for a net-zero world, and addressing the risks and impacts in our business.

Contents

Foreword

Ken Gilmartin
Chief Executive, Wood

"We are delivering solutions that transform the world as we support to our clients to reach their own net-zero ambitions. At the same time, we are committed to reducing our own climate impacts."

In 2023, we completed the first year of our new strategic cycle with a vision to deliver the solutions that design the future. We set out our strategy for the 2023-2025 cycle with a renewed focus on delivering solutions that positively impact on climate-related matters including energy transition, sustainable materials, circular economy and decarbonisation. However, our strategic focus also recognises that we are in a transition which needs to balance delivering the future energy systems whilst ensuring continued energy security.

We recognise that climate-related matters are a significant driver of opportunities from our strategy. However, they also present certain risks for our business which we manage through a robust and comprehensive governance process with oversight by the Board, as detailed later on pages 03 to 04. We are committed to continually evolve our understanding and approach to climate-related risks and opportunities. As part of this commitment and in light of our revised strategy we have initiated a revised scenario analysis and expect to complete the process in 2024, to ensure the resilience of our business and current strategy and also to inform our view for the next strategic cycle.

We have remained focused on managing the climate impacts of our own business and continued to exceed our own ambitious target to reduce our scope 1&2 emissions by 40% by 2030. Our emissions reduced by 71% compared to our 2019 baseline, reflecting the benefit of actions undertaken in line with our carbon reduction strategy such as improving energy efficiency in our real estate portfolio. However, we recognise that as activity levels increase there is potential for the reduction in our scope 1&2 emissions to reverse and we have an obligation to monitor and manage the impact in line with our target.

We are pleased with our progress in meeting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) as set out in this report.

Compliance with TCFD

Wood is adapting to climate change opportunities, delivering solutions for a net-zero world, and addressing the risks and impacts in our business.

TCFD recommendations

Our disclosures are consistent with the TCFD Recommendations and Recommended Disclosures, including section C of the 2021 TCFD Annex entitled 'Guidance for All Sectors'. We are fully compliant with 10 of the 11 recommended disclosures.

Opposite is a summary of the status of our compliance, together with page references in this report where the relevant disclosures can be found.

In addition, where relevant we provide the expected time horizon to achieve full compliance for any disclosure that we require more time to implement.

Companies Act 2006

Our disclosures also meet the requirements of section 414CB of the Companies Act 2006.

This report is also contained in our 2023 Annual Report and Financial Statements on pages 47 to 57.

	Status	Page
Governance		
Describe the board's oversight of climate-related risks and opportunities	Compliant	03
Describe management's role in assessing and managing climate-related risks and opportunities	Compliant	04
Strategy		
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	Compliant	05 to 06
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	Compliant	07 to 08
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario[1]	Partially compliant	08
Risk management		
Describe the organisation's processes for identifying and assessing climate-related risks	Compliant	09 to 10
Describe the organisation's processes for managing climate-related risks	Compliant	09 to 10
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Compliant	09 to 10
Metrics and targets		
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Compliant	11 to 12
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Compliant	11 to 12
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Compliant	11 to 12

Footnotes:

1. Although qualitative scenario planning has previously been undertaken, to ensure full compliance we commenced a process during 2023 to refresh our scenario planning taking into account climate-related scenarios, specifically including a 2°C or lower scenario and setting out our key assumptions. We expect to complete our scenario planning in 2024 and whilst our refreshed 2023-2025 strategy will form the foundation of the analysis, the outputs will help to inform our view for future strategic cycles.

Governance

Board oversight of climate-related risks and opportunities

At Wood, the Board as a whole has accountability for sustainability matters, including those related to climate. A review of Wood's sustainability strategy and performance, including performance against climate targets, is undertaken by the Board annually. However, to ensure sufficient and more frequent oversight of Wood's sustainability strategy and performance it has delegated certain responsibilities to a Safety and Sustainability Committee.

The Safety and Sustainability Committee is chaired by a non-executive director and meets four times per year, reporting to the Board after each meeting on matters discussed and recommendations. The Committee's responsibilities include reviewing and making recommendations on:

- the effectiveness of management's plans on environment and climate action, including the setting, disclosing and achievement of targets
- the progress against priorities and objectives including compliance with public commitments on sustainability matters, responding to sustainability risks
- the adequacy and effectiveness of the assurance programme for health, safety, security and environment (HSSE) and sustainability
- the expertise and appropriateness of the structure of the HSSE and Sustainability function throughout the group
- the status, suitability and effectiveness of Board and senior management knowledge, training and education to affect the necessary competence to meet its HSSE and Sustainability obligations and oversight

Wood has unique consulting and engineering skills that are critical to solving the global challenges of decarbonisation and energy transition, as well as energy security. Through oversight for the overarching business strategy, the Board considers Wood's climate-related opportunities and climate-related impacts on the sustainability of the business model. It does this by assessing the key market drivers and uncertainties for market development, key clients and competitors across each of Wood's focus geographies, Wood's historical track record of performance, major risks to delivery and how they will be mitigated. The Board increases its understanding of climate-related opportunities through supporting global initiatives on climate advocacy such the UN Global Sustainable Development Goals (SDGs).

The Board has responsibility for establishing procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives" (its "risk appetite"); performing a robust assessment of the principal and emerging risks; and monitoring and reviewing the risk management and internal control systems. The Board is assisted in this assessment by the Audit, Risk and Ethics Committee and the Safety and Sustainability Committee, who are delegated responsibility for various aspects of risk, internal control and assurance.

Climate-related risks are considered as part of the overall process for managing principal and emerging risks, with principal and emerging risks being reviewed by the Board twice per year.

This process includes a cross-check against the principal and emerging risks identified by Wood's peer group which helps to inform the Board's mid-year discussion on risk. In addition, at the half-year and year-end, a series of one-to-one interviews are carried out by the President – Group Audit & Risk and the Group Risk Vice President with each of the non-executive directors to understand their perception of emerging risks, including those from climate-related matters.

In addition to the responsibilities delegated to the Safety and Safety Committee and the assistance provided by the Safety and Sustainability and Audit Risk and Ethics committees to the Board in its assessment of risks, further Board oversight for climate-related matters is undertaken by the following Board committees:

Audit, Risk and Ethics Committee

- monitoring the integrity of Wood's financial statements and strategic report, including climate-related disclosures
- reviewing the internal audit programme and ensuring the internal audit plan is aligned to the principal risks of the business which include climate-related impacts (see 'Risk Management' on page 09)

Remuneration Committee

Supporting delivery of the sustainability strategy, including climate-related objectives, through incorporation of environment, social and governance (ESG) targets in leadership team bonus schemes and long-term incentive plans.

Governance continued

Management's role in assessing and managing climate-related risks and opportunities

During 2023, the Executive President of Business Sustainability & Assurance, as a member of the Executive Leadership Team (ELT) oversaw the delivery of the sustainability strategy and had overall accountability for climate-related actions and risk management[1]. The Safety & Sustainability Committee forms the main channel of communication between management and the Board. The Executive President of Business Sustainability & Assurance attended these Committee meetings to provide regular reports on progress, including updates on progress against our climate-related targets.

During 2023, the President of Sustainability reported to the Executive President of Business Sustainability & Assurance[1] and was responsible for the development, execution and monitoring of the sustainability strategy, including any climate-related actions and targets.

The President of Sustainability also oversaw the Environment, Social and Governance (ESG) risk management framework which includes a climate change risk register.

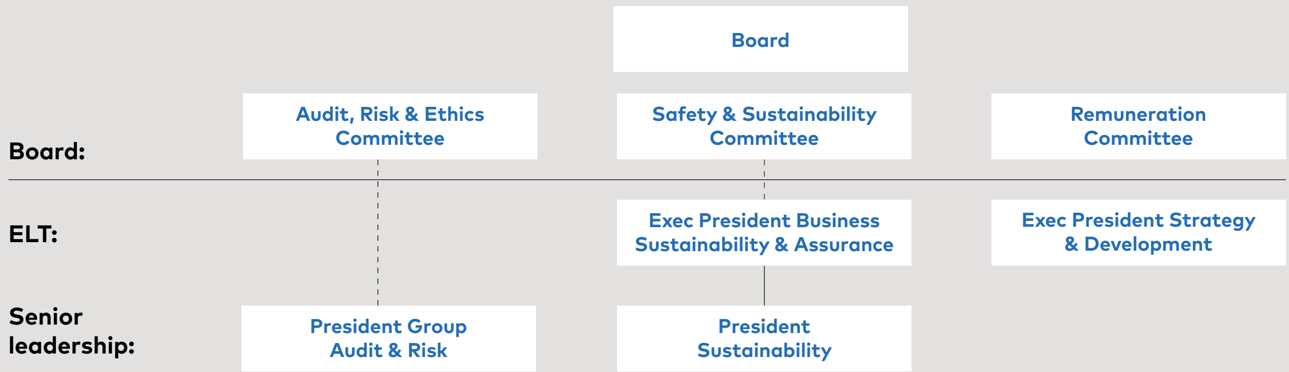
Wood's Growth & Development (G&D) function is responsible for business development, including building on growth opportunities in energy transition and decarbonisation which have climate-change as a key driver. The President of Sustainability collaborates closely with Wood's G&D function to enhance Wood's ability to compete and secure work in this space, and oversees the reporting against our target of doubling client support aligned to the energy transition by 2030.

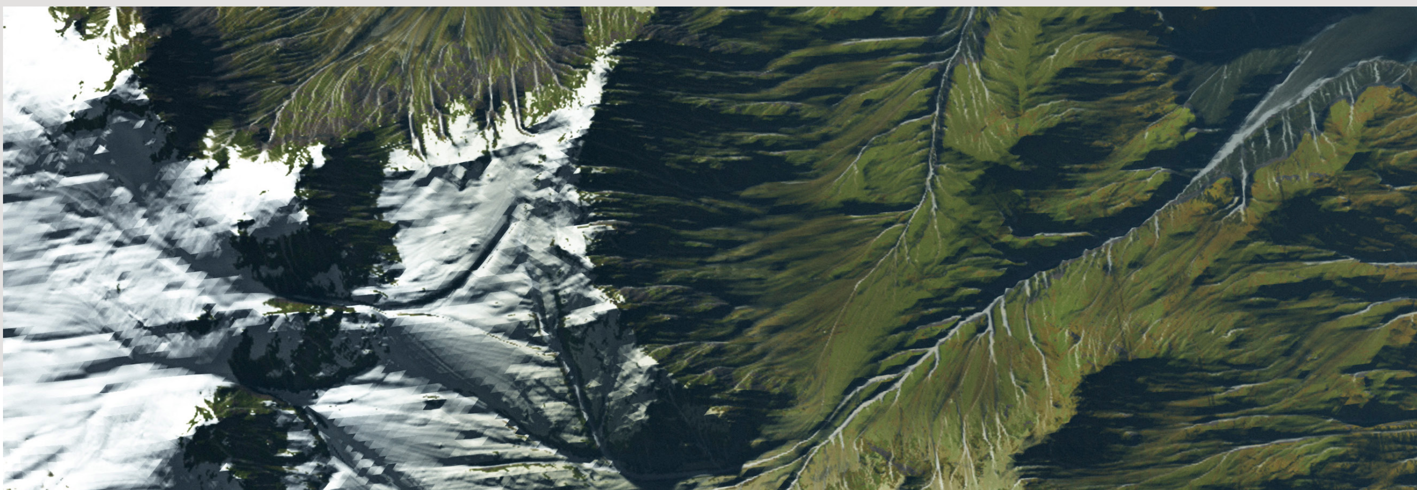
Given the diverse nature of climate-related impacts and their potential to generate risks and opportunities throughout Wood's business, the wider ELT also has responsibility for assessing and managing the impacts. Consideration of climate-related matters is given at a business unit (BU) level through Quarterly Business Reviews (QBRs).

The QBRs are chaired by the Chief Executive Officer (CEO) with attendance by the Chief Financial Officer (CFO), other ELT members and Business Unit (BU) leadership teams. During the QBRs, BU risk registers are reviewed as well as progress against BU execution plans and internal metrics and targets related to the delivery of Wood's strategy. See 'Strategy' and 'Risk Management' sections on pages 05 to 10 for further details on how climate-related matters impact Wood's strategy and risks. The meetings provide the Executive President - Business Sustainability & Assurance with insight into the operational and commercial activities of the business providing an opportunity to identify any activities that could be inconsistent with our climate commitments.

1. This structure will be reviewed following the changes to the ELT in 2024 as set out on page 98 of the 2023 Annual Report and Financial Statements.

Climate governance





Strategy

Climate-related risks and opportunities

As an engineering and consulting company, Wood operates across two end markets; Energy and Materials. Our strategic focus is aligned to the key growth trends of energy transition, energy security, sustainable materials, circular economy, decarbonisation and digitalisation. As such, climate-related matters are a core consideration of our strategy and we recognise the potential for climate-related risks and opportunities to impact on our business.

In 2019, as part of our strategic planning process, we undertook qualitative scenario planning which explored the pace and depth of the low-carbon energy transition required to meet Paris Agreement targets. The scenario planning assessed two focal questions which considered the climate-related impacts on the key drivers of our strategy at that time. Those key drivers were energy transition and the development of sustainable infrastructure.

In September 2022, Wood completed the sale of its Built Environment Consulting business which was aligned to market drivers related to the development of sustainable infrastructure. Following the sale, we updated our strategy for the 2023-2025 cycle and this was set out in a capital markets day on 29 November 2022. As noted above, climate-related matters including energy transition and decarbonisation are core to our current strategy and therefore the energy transition focal question of our 2019 scenario planning remains relevant. In alignment with the scenario planning and strategy roll out, we have continued to assess the risks and opportunities throughout our strategic cycle to 2023. As noted on page 08, we intend to refresh our scenario planning analysis in 2024.

For the energy transition focal question, our assessment explored two major uncertainties resulting in two scenarios to test the resilience of our strategy in order to:

- Ensure our business is financially resilient across a range of market scenarios with respect to the pace, scope and scale of energy transition changes
- Enable our business model resources to be optimised in response to specific short to near-term market and geographical opportunities
- Support our clients with differentiated service offerings, engineering solutions and delivery capabilities to help them meet their individual climate-related net-zero targets

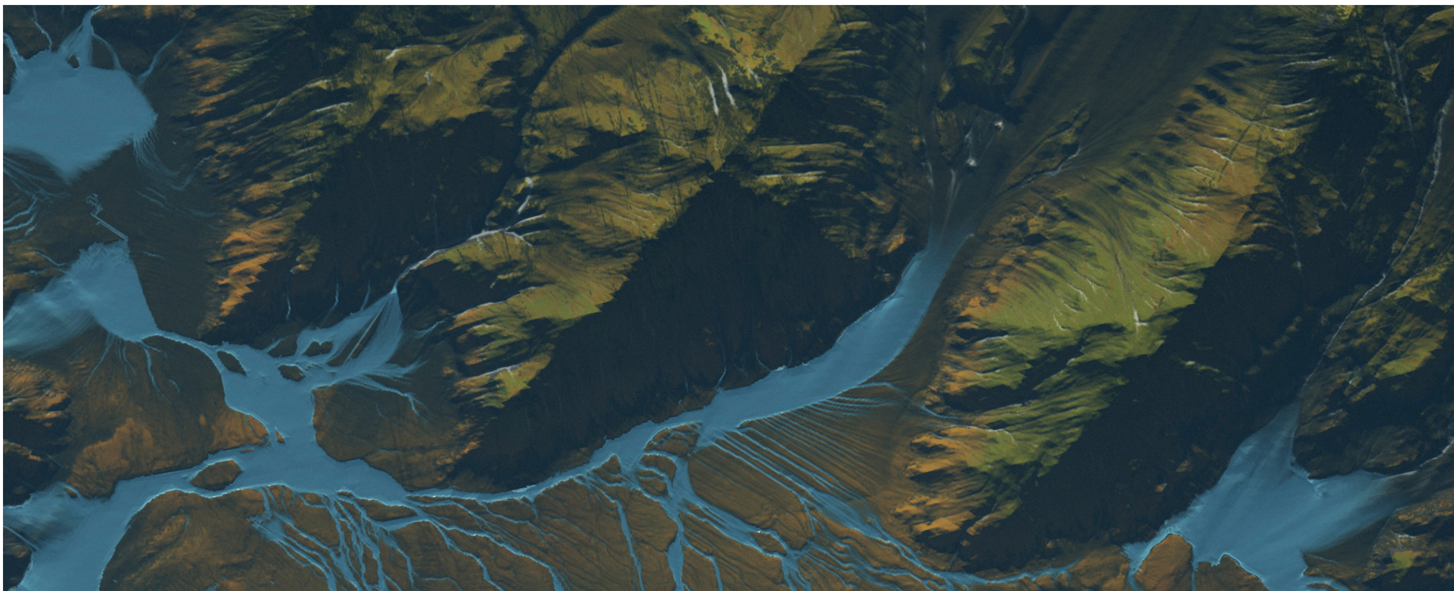
Energy Transition focal question:
To what extent will energy source provision, distribution and demand change in the world over the next 15 years?

Uncertainties:
- Degree of alignment across key stakeholders, i.e. social, government, investors and businesses
- Rate of innovation and the adoption of renewable and low carbon energy

As result of these assessments, we identified a comprehensive list of risks and opportunities in our climate change risk register. From this list, we identified the climate-related risks and opportunities that are likely to have the most significant potential effects on our business, strategy and financial planning. Further detail on our process to determine the impact of climate-related considerations on our business risks is included in 'Risk Management' on page 09.

Our assessments considered climate-related risks and opportunities over short, medium and long-term time horizons. We define these time horizons as follows:

- **Short-term: Between 0 and 3 years**
  We review climate-related risk on an annual basis and therefore consider 0 to 3 years to be a suitable short-term assessment period. This aligns with our going concern assessment period. This covers a period of at least 12 months from the date of approval of the financial statements, but, in order to sign off on the going concern ability of the Group, the directors consider the financial forecasts out to 31 December 2025.
- **Medium-term: Between 3 and 5 years**
  In line with our overall business strategic cycle, sales pipeline and contracting periods, and Wood's sustainability materiality assessment cycle, we define medium-term as between 3 and 5 years. This aligns to the assessment period utilised for Wood's viability statement which assesses the Group's viability over a period of three years and models the impacts of risks over a five-year period.
- **Long-term: Between 5 and 30 years**
  Long-term considers periods beyond our strategic cycle and extends up to 30 years to account for known historic climate events and the likelihood of future occurrence, as well as applying current scientific knowledge to understand longer term impacts of climate change. Factors considered include, but are not limited to, international agreements to limit warming, longer term government policy, advances in technology and innovation, as well as physical climate scenarios.



Strategy continued

	Category	Status	Business impact
Opportunities			
Increased client scope for energy transition and decarbonisation services. The measurement of this opportunity is reflected in our target of doubling of client support aligned to energy transition and sustainable materials, see 'Metrics & targets' on page 11.	Opportunity – Markets, products & services	Short, medium & long	The current global aim of attaining a maximum of 1.5ºC of warming requires investment in energy transition and efficiency and decarbonisation and this provides Wood with opportunities to deliver growth in these areas and diversify our client portfolio. This opportunity is likely to have a group-wide impact with the most significant impacts in our major service lines of Renewables, Hydrogen & Carbon Capture; Minerals Processing & Life Sciences; and Power, as well as in decarbonisation activity across all service lines.
Increased access to capital and/ or improved cost of capital. The measurement of this opportunity is reflected in our target of top quartile ESG ratings, see 'Metrics & targets' on page 11.	Opportunity - Markets	Short, medium & long	The increasing adoption of the Principles of Responsible Investment and incorporation of climate change considerations into capital allocation decisions provides an opportunity for Wood to maintain and potentially increase its access to sources of capital as a result of its strategy aligned to delivering solutions for a net-zero future and appropriate management of its own ESG risks. Further, this alignment could enable Wood to access more competitive lending rates and insurance costs.
Risks			
Undertaking high carbon projects that are inconsistent with key elements of Wood's strategy focused on positioning to support clients in their pursuit of net-zero and decarbonisation. This is recognised in our principal risk Strategic Delivery, see 'Risk management' on page 09.	Transition risk – Market & reputation	Short, medium & long	Undertaking high carbon projects may result in a loss of investor confidence and exposure to investor and lender exclusion policies for high carbon activities, impacting Wood's access to capital. This risk is likely to have a group-wide impact
Energy transition and sustainable materials markets do not generate sufficient revenues required to meet targets and/ or Wood does not have the ability to attract or retain the appropriately skilled workforce. This is recognised in our principal risk Strategic Delivery, see 'Risk management' on page 09.	Transition risk - Market	Short & medium	Failure to keep pace with client demands and competitive forces in energy transition, including decarbonisation, and sustainable materials and/or inability to attract or retain the appropriately skilled workforce may impact on Wood's competitive position resulting in an inability to compete for energy transition and sustainable materials work effectively. This risk is likely to have a group-wide impact with the most significant impact in our major service lines of Renewables, Hydrogen & Carbon Capture; Minerals Processing & Life Sciences; and Power, as well as in decarbonisation activity across all service lines.
Failure to meet carbon targets through lack of engagement, investment and/or accountability, resulting in Wood being unable to effect behavioural change. This is recognised in our principal risk ESG Strategy & Performance, see 'Risk management' on page 09.	Transition risk – Policy & legal, reputation	Medium & long	Failure to effect the behavioural change required to meet our carbon target may give rise to risks of environmental harm and loss of stakeholder confidence. Our commitment to reduce scope 1 and 2 emissions by 40% by 2030 is underpinned by a strategic delivery plan. The key elements of the plan include group wide actions, such as transitioning to renewable/green energy tariffs and driving carbon efficiency improvements in our real estate portfolio, as well as localised carbon reduction programmes for each business unit.
Failure to align to the expected net-zero pathway and lack of credible climate transition plan. This is recognised in our principal risk ESG Strategy & Performance, see 'Risk management' on page 09.	Transition risk – reputation	Short, medium & long	A poorly constructed and/or articulated business response to climate-related impacts and opportunities may give rise to the risk that Wood's contribution to the energy transition and decarbonisation is not recognised and instead Wood is regarded as a net contributor to climate change. This could result in shareholder pressure, having a group-wide impact.
Investors and other financial stakeholders developing and implementing net-zero strategies which include reducing exposure to certain sectors or activities. This is recognised in our principal risk ESG Strategy & Performance, see 'Risk management' on page 09.	Transition risk – reputation	Short, medium & long	Investors, lenders and insurers implementing their own net-zero strategies may impose exclusions policies to reduce their exposure to high carbon sectors and activities, such as those related to fossil fuels. There is a risk that certain scopes of Wood's current operations fall within these exclusions reducing our access to capital and insurance coverage, This risk is likely to have a group-wide impact with the most significant impact on our major service lines of Oil & Gas and Refining & Chemicals.

Details of adaptation and mitigation activities undertaken to address climate risk and any changes from the prior year are set out in section 'Risk management' on page 09.

The table on page 06 sets out the climate-related risks and opportunities that are the most significant for our business in terms of likelihood and potential impact. We maintain a comprehensive climate risk register that considers:

- Policy & legal transition risks, including the risks of increased carbon management obligations, government policy restricting fossil fuel- related activities and exposure to climate litigation.
- Market-related transition risks, including the impact of clients divesting of fossil-fuel related assets
- Acute and chronic physical risks, including the impact of changing precipitation and increasing extreme variability in weather resulting in disruption to operations and increased insurance costs or reduced access to insurance

Whilst we consider that these risks currently have a lower overall risk rating than those in the table above, many of them are contributing factors to other Principal risks faced by the group. For example, the impact of physical risks are incorporated in our Project Execution principal risk. Our climate risk register is regularly reviewed to monitor changes in the likelihood and severity of potential impacts of climate-related risks and also to identify new or emerging risks.

Impact on businesses, strategy & financial planning

Impact on strategy

The analysis used to develop our strategy for 2023-2025 incorporated consideration of high-level climate-related risks and opportunities. Together with our previous scenario planning analysis this has informed our strategic planning during 2023 and has guided:

- our focus on growth markets in energy transition and sustainable materials and growth drivers from decarbonisation and digiatlisation across all our markets
- our actions to ensure we have the appropriate management and teams in place and we form strategic partnerships to develop the solutions required to respond to climate change.

Through these strategic actions we aim to ensure that Wood benefits from opportunities in increased client scope for energy transition, sustainable materials and decarbonisation services as well as manage the risks of not meeting our revenue generation targets and our ability to attract and retain the skilled workforce to enable us to compete effectively for energy transition and decarbonisation work.

Wood has a flexible business model and a long track record of evolving to position our capabilities and technical expertise to take advantage of growth trends and changes in our markets. As part of our strategic process we carry out a comprehensive strategy review every three years and establish strategic direction at a high enough level to enable agile leadership adjustments leveraging our flexible model, over the strategy horizon to account for evolution in climate-related risks and opportunities in our markets.

Our principal risk of Strategic Delivery recognises the potential market and reputational impacts of undertaking high carbon projects that are inconsistent with Wood's positioning to support clients in their pursuit of net-zero and decarbonisation. Our strategic actions throughout 2023 focusing on growth opportunities from energy transition, sustainable materials and decarbonisation have significantly mitigated this risk and as a result, reducing carbon intensity is a feature of many of the contracts we are delivering today. Whilst Wood has declined a small number of certain high-carbon scopes of work, to further improve governance in this area we recognise the need for an enterprise-wide method to assess projects for consistency with our strategic approach.

As part of our corporate development process, we continually evaluate our business and consider the investment opportunities to accelerate delivery against our strategy. In considering such investment opportunities we apply a tailored diligence approach that takes into consideration the totality of the business across climate change risks. As climate-related impacts are a key driver of conditions in our market and of client requirements, our processes are agile and robust enough to determine the materiality of climate risks in all transactions. Following a review of our business portfolio, we completed the sale of our offshore labour supply operations in the Gulf of Mexico in March 2023. This divestment reflects Wood's actions to selectively high grade the Group's portfolio and invest in the markets and solutions where we expect the strongest profitable growth. The relative size of our business portfolio related to fossil fuels was, amongst others, a consideration in selecting this business for divestment.

Impact on our own operations

In addition to our business strategy aligned to enabling our clients to transition to a low carbon economy, our sustainability strategy contains the plans required for our own transition.

In March 2021 we committed to reducing our scope 1 and 2 carbon emissions by 40% by 2030, from a 2019 baseline of 145,083 tonnes CO_2e. In announcing the target the Chief Executive also set out Wood's commitment to achieving net-zero by 2050 or sooner. We consider that our 2030 target and ongoing delivery against it are important first steps that will enable us to establish a net-zero target in the longer term and define the decarbonisation plans beyond 2030 that will be required to meet it. Our approach to this will also be guided by our preparations for disclosing our climate transition plan in accordance with the guidance issued in late 2023 by the UK Transition Plan Taskforce.

Our scope 1 and 2 emissions reduction target is the driver for group-wide strategic actions. Of the total Scope 1 and 2 baseline emissions, 36% arise from purchased electrical energy, 52% from fleet transport and 12% from combustion of fossil fuels predominantly for heating purposes. Therefore, our plans to achieve our carbon emissions reduction target are focused on principle strategic levers to address the areas where Wood has both significant emissions signatures and exercises operational control to change or eliminate them. Our initial focus to meet the first milestone, a 40% reduction, centres around:

- **Real Estate occupancy efficiency**

The procurement of new facilities and offices is influenced by sustainability and climate-related criteria enabling evolutionary improvements to the real estate portfolio. Wood continues to implement hybrid working opportunities for office-based employees which allows us to be more efficient in the sizing of the physical space Wood occupies.

During 2023 we undertook energy audits across our European portfolio as part of our compliance with Energy Savings Opportunity Scheme (ESOS) which will give us a good overview on where further effort can be targeted and allow us to develop our action plans to reduce energy use and emissions.

- **Renewable energy procurement**

We are taking action to switch our energy procurement to certified renewable energy sources. By the end of 2023, 43% of our total purchased electricity was from certified renewable sources. This is down from 2022 due to a site moving outside of our operational control which was a large renewable energy user, however, we are focused on increasing this to around 60%.

See page 12 below and page 59 of our 2023 Annual Report and Financial Statements for details of our progress towards our scope 1 and 2 emissions reduction target.

Strategy continued

Impact on business & financial planning

The material impacts of climate-related issues on our business are set out in the table on page 06. The following sets out the impacts on our financial planning.

Wood participates in a number of markets where climate considerations may affect demand for our services, including Hydrogen, Carbon Capture, Oil & Gas, Chemicals, Minerals and Power. We factor this into our revenue forecasting by analysing addressable markets and prospective growth rates over time. During the process to update our strategy for the 2023-2025 strategic cycle, we engaged with external industry consultants and clients to inform our planning which considered movements of our markets inclusive of climate-related impacts. This data along with a sales pipeline that tracks opportunities aligned to our capabilities and strategy, form the basis of our financial modelling.

Climate-related issues also impact our financial planning when making decisions on our sources of borrowing. Our strategy and capabilities aligned to the energy transition have, to date, provided us with the opportunity to access wider sources of borrowing including sustainability linked facilities. As a result, during 2023 Wood had a balanced portfolio of debt facilities which included a five-year committed sustainable revolving credit facility and a UK government backed loan linked to energy transition. It should be noted that the latter was repaid in December 2023.

Climate-related issues are not currently a significant feature of budgeting for operating costs. Costs of managing carbon emissions are incorporated into our operational and functional budgeting process, e.g. procurement of energy efficient real estate and maintenance of carbon reporting software. Whilst there is potential for elements of our carbon reduction strategy to result in incremental costs, such as switching to the procurement of energy from renewable sources, these are not considered to be significant and the actions to date have been relatively low cost or cost neutral. Our insurance costs reflect the impacts of physical climate-related risks. They also reflect transitional risks and opportunities, to the extent that our overall insurance risk profile is influenced by market and reputational considerations driven by changes in our strategy and demand for our services due to climate-related factors. Whilst we are seeing insurers begin to include coverage for matters such as regulatory investigations related to climate-related disclosures this has not impacted on insurance costs.

Therefore, to date, the effect of climate-related matters on our insurance costs have been more influenced by macro global insurance market factors than by Wood specific climate risk factors.

The area where climate-related issues could impact on the Group's assets and liabilities is on goodwill and other intangible assets which are tested for impairment on an annual basis by comparing the carrying value of the assets to the value in use calculations, which are underpinned by the financial forecasts approved by the Board. As highlighted above, climate considerations may impact demand for our services and therefore either increase or reduce future cash flows of the Group, affecting the value of goodwill. Energy transition and decarbonisation trends represent significant growth drivers for the Group which is well placed to benefit from significant levels of investment required by our clients to achieve net-zero. Oil & Gas markets continue to generate significant value for the Group in the short-term due to the global focus on energy security, whilst in the medium to long-term we expect a shifting demand in Oil & Gas markets towards decarbonising operations. The relative sizes of the markets and the influence of climate-related matters on the rates of growth in both our energy transition related and fossil fuel related activities could influence the valuation of goodwill.

In 2023, energy security was a key driver of revenue growth but we are seeing increased focus on decarbonising oil and gas activities and the transition to cleaner fuels. As such climate-related opportunities contributed to good growth in our services related to decarbonisation and hydrogen. Going forward we expect the impact of climate-related matters to drive further growth in our energy transition and sustainable materials markets. In 2023, the impact of climate-related matters on assets and liabilities were considered, amongst many other factors, in the overall market growth rates forecast in the annual impairment review of goodwill and other intangibles. Further information on the impairment review is contained in note 10 to the 2023 financial statements.

Building climate resilience into our business model & strategy

Wood is a provider of consultancy and engineering solutions to clients in energy and materials markets and across the full lifecycle of their projects. We have a flexible business model that leverages the expertise of our talented and flexible workforce, our global scale and decades-long client relationships to respond to market opportunities. We have a long track-record of evolving to position our capabilities and technical expertise to take advantage of emerging growth trends.

In its long history Wood has transitioned from ship repair and marine engineering operations, to the North Sea and then global oilfield services and now a global engineering and consultancy company. This flexibility ensures that our business model and strategy is resilient to climate-related impacts in our markets, enabling Wood to benefit from opportunities from growth trends in energy transition and decarbonisation, and also resilient to climate-related risks as recognised in our principal risk of Strategic Delivery.

We are committed to the ongoing assessment of the resilience of our strategy in different climate-related scenarios. Following the sale of our Built Environment Consulting business we developed our updated strategy for the cycle from 2023 to 2025. In developing our strategy, high-level climate-related risks and opportunities were considered.

Whilst the energy transition aspects of our 2019 qualitative scenario planning remain relevant for our current strategy, during 2023 we commenced a process focused on refreshing our scenario planning with a view to taking into account different climate-related scenarios including a 2°C or lower scenario. We expect the refresh of our scenario planning to be completed in 2024.

Read more in our 2023 Annual Report and Financial Statements on our business model on pages 20 to 21 and our strategy on pages 16 to 19.

Risk Management

Our overall risk management framework integrating climate-related risk assessment

Wood's process for identifying, assessing and responding to climate-related risks and opportunities is incorporated within our enterprise-wide risk management process and framework. This framework feeds into our principal risks and uncertainties reviewed by the Board and the ELT. The Wood Risk Management Framework is designed to comply with the UK Corporate Governance Code and align with ISO 31000 principles.

Our group risk management standard is the formal overarching risk management process within Wood that complements current policies and processes across the Group. The purpose of the standard is to:

- Ensure there is a formal, structured and consistent risk management process across Wood
- Identify, mitigate, and manage risks that occur
- Provide visibility and demonstrable governance over business risks to inform leadership

Our risk framework starts with the analysis of our business and the external environment within which we operate to ensure our approach to assessing risk is current, and that our risk culture can evolve and adapt to the everchanging risk landscape. A bottom-up and top-down approach is followed to facilitate the risk management process within the organisation as laid out in the group risk management framework shown below.

Our enterprise risk management system (BRisk) enhances governance and oversight of the control environment and is an important tool in delivering Wood's risk management strategy.

Risk registers are developed at an individual contract or project level and captured in our project risk management system (ProRisk). These are then escalated to the business grouping (BG) and captured in the Corporate Risk Management system (BRisk) and rolled up into business unit (BU) risk registers, which are reviewed respectively by the BG and BU Leadership Teams every quarter. The physical risks associated with climate change, such as abnormal temperatures and weather, are considered in the contract/project risk registers. Depending on the materiality, these may then be reflected within the Project Execution principal risk at a BG and BU level.

The BU risk registers are subsequently reviewed as part of the Quarterly Business Reviews which are chaired by the CEO with attendance by the CFO, the other members of the ELT and the respective BU Leadership Team.

Group level functional risk registers are also maintained with the functional leadership teams reviewing these risk registers twice a year. Group level climate change risks are considered through the climate and ESG risk registers which are overseen by the Business Sustainability & Assurance group function.

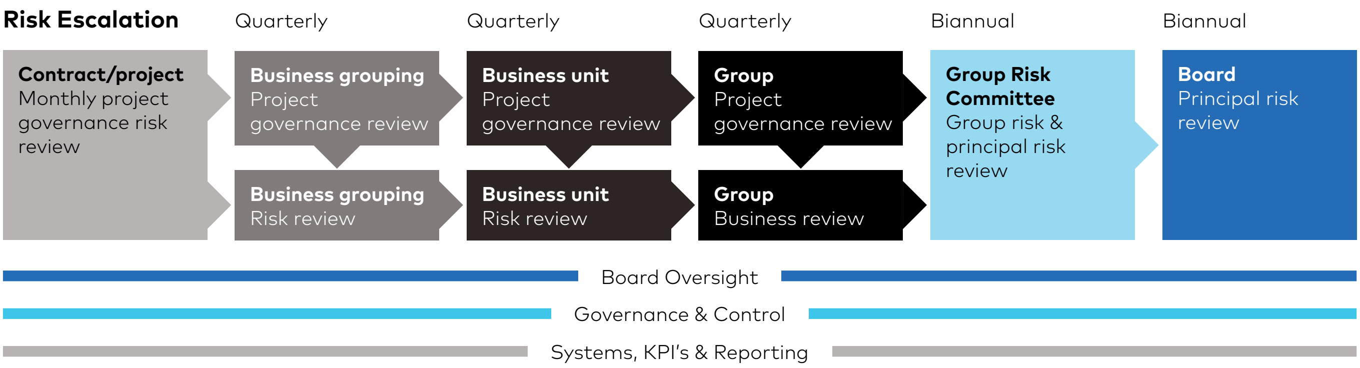
Business unit and functional risk registers are then aggregated into a group risk register which is reviewed at least twice per year by the Group Risk Committee (GRC), which is attended by the CEO, CFO, and all other members of the ELT. This ensures that the principal risks, including climate-related impacts, are identified, agreed, appropriately measured and effectively controlled, while also monitoring emerging risks. The output of the GRC reviews is a summary of the principal risks which is formally reviewed and challenged by the Board twice per year.

Wood's Risk Management Framework includes a focus on identifying and assessing potential emerging risks, including those related to climate matters. Emerging risks are identified throughout the year via the business grouping, business unit and functional risk processes, and escalated and discussed during the GRC and further escalated to the Board as required. This process follows the Group risk management framework, which applies to all risks. As noted on page 03, a cross-check is also undertaken against the principal and emerging risks identified by Wood's peer group which helps to inform the mid-year Board discussion on risk. At the half-year and at the year-end, a series of one-to-one interviews are carried out by the President – Group Audit & Risk and the Group Risk VP with each of the non-executive directors to understand their perception of emerging risks. The outputs of these one-to-one interviews are fed into the twice yearly GRC and Board risk sessions.

Managing climate-related risks

As noted on page 03, climate-related risks are considered as part of the overall process for managing principal and emerging risks which includes consideration of both existing and emerging regulatory requirements. From our analysis, climate change risk is not considered to be a standalone principal risk given its diverse nature but regarded as a contributing factor to other principal risks. As such, the prioritisation and materiality of climate-related risks is considered as part of the overall materiality assessment of principal risks for the Group.

Group risk framework



Risk Management continued

Principal risks are those considered to be the most material from a financial perspective. The assessment of materiality of principal risks is completed by the ELT during the GRC. This is further challenged and assessed by the Board during the Board risk sessions.

Further detail on this process is set out on page 83 of our 2023 annual report.

Reflecting the importance of climate-related risks, the impact of the various aspects of climate-related risk for Wood are reviewed as an integral part of our risk management framework.

Wood considers the major impacts of climate-related issues to be on the key elements our strategy aligned to energy transition, decarbonisation and sustainable materials, and therefore feeds into the Strategic Delivery principal risk. Climate-related matters are also reflected in our ESG Strategy & Performance principal risk which considers the risks related to the effectiveness of our ESG strategy to address, amongst others, our environmental responsibilities including climate change.

Our Project Execution risk considers any material climate-related risks that impact on our ability to successfully execute projects safely, to the expected quality, on time and within budget. Localised events arising from physical climate-related risks such as those from abnormal temperatures and weather are reflected in project risk registers, which map back to the Project Execution principal risk at a business group and business unit level, depending on the materiality.

The table below sets out our principal risks that are impacted by climate-related matters and the mitigations, monitoring and assurance in place to address those risks.

The table also includes any changes to mitigations from the prior year to show the evolution in our approach to managing such risks.

Regular oversight of these risks at the GRC, Safety & Sustainability Committee and Board risk sessions ensures the content of the related principal risks remains focused on our perception of climate-related risk on the business. The Wood risk management framework provides a process for all associated risks to be governed by these oversight committees where the associated risks, plans and KPIs are reported and reviewed. The framework and process to identify principal risks also includes the establishment of mitigation, monitoring and assurance processes to ensure the risks are appropriately managed on an on-going basis.

Principal risk:

Strategic Delivery

Lack of ability to deliver on the new strategy by effectively addressing the external and internal risks associated with the strategic plan to 2025.

Mitigation, monitoring & assurance

- Strategic review of our portfolio and identified priority markets with external consultants and internal experts to refine our focus
- Strategic risks analysed and appropriate mitigation actions put in place
- Company level metrics/targets set and cascaded into business units with execution plans to achieve our strategy
- Quarterly Business Review (QBR) process implemented across the Executive Leadership Team (ELT) to measure progress both from a business and functional perspective against targets within the strategy

Changes to mitigations/adaptations compared to prior year: No change

Principal risk:

ESG strategy and performance

Our ESG strategy and performance does not effectively address our environmental, social and governance responsibilities, including in relation to climate change and regulatory obligations, leading to our business becoming an unattractive investment proposition for our employees, investors, lenders, communities, and other stakeholders.

Mitigation, monitoring & assurance

- Existing policies, procedures, management structures and Board oversight covering compliance with the key components of ESG
- Monitoring of compliance and reporting in line with the UK Corporate Governance Code, covering governance responsibilities, with oversight provided by the Audit, Risk & Ethics Committee and the Board
- Integrated ESG risk management within company risk management framework
- Safety & Sustainability Committee includes oversight of sustainability aspects with additional review by the full Board on an annual basis
- Sustainability targets agreed with the Board and plans in place for target achievement
- ESG metrics included within management incentive schemes
- External verification of certain key ESG performance data (e.g. carbon emissions)
- Active monitoring and engagement of stakeholders

Changes to mitigations/adaptations compared to prior year: More frequent monitoring of stakeholder expectations/ policies on ESG matters

Principal risk:

Project Execution

Failure to successfully execute projects safely and to expected quality, on time and within budget.

Mitigation, monitoring & assurance

- Start up, project management, technical and resourcing execution plans for key projects supported by monitoring and reporting
- Strategic Projects team assists in start-up phase of key projects and embed learnings from previous projects
- Tender governance processes including Tender Review Committee at Group level and BU levels in line with established Delegation of Authority
- Financial Management Framework in place to ensure disciplined contract compliance, including variation orders and contractual requirements, at all phases of the project
- Quarterly Business Reviews of BUs & Top 10 Projects, chaired by the CEO and attended by the CFO and BU Executive Presidents
- Operational Excellence functions in each of the BUs supporting consistent project delivery through focus on common operating model, standardised delivery applications and project management academy

Changes to mitigations/adaptations compared to prior year: No change

The above is a summary of our principal risks and mitigations as they relate to climate-related matters. Refer to pages 87 to 90 of the 2023 annual report for a full discussion of principal risks and mitigations.

Metrics & targets

Responding to the challenges of our changing climate by delivering engineering solutions to provide access to energy and to transition to a low carbon future are a core part of Wood's purpose and strategy. At the same time, we recognise the need to manage our own environmental impact.

To measure our climate-related opportunities and ensure accountability for our climate-related impacts, our Board endorsed the targets set out below. These targets form part of our wider sustainability strategy and are aligned to the UN Sustainable Development Goals.

Measuring climate-related opportunities and risks

In line with the key elements of our strategy aligned to energy transition, decarbonisation and sustainable materials and the climate-related impacts reflected in our Strategic Delivery principal risk, our key metric for measuring climate-related opportunities is the revenue derived from our sustainable solutions. These include solutions that help to mitigate the impacts of climate change such as renewable energy, alternative fuels, circular economy processes, processing of energy transition materials and decarbonising existing energy assets and operations. Our target is to double client support aligned to the energy transition and sustainable materials by 2030.

As demonstrated by our principal risk of ESG Strategy & Performance, we also recognise that our approach to climate-related matters forms a key part of our ESG investment ratings and as such we utilise those ratings as another metric of our performance. Our target is to be consistently ranked in the top quartile within our sector by 2025.

To measure our performance in reducing our own climate impacts we have established two targets. Firstly, to reduce scope 1 and 2 carbon emissions and performance against this target is embedded in the long-term incentive plans of our executive directors. Our second target is to reduce consumption of single use plastics in our offices.

In respect of our scope 1 and 2 emissions reduction target, whilst we see the setting of internal carbon prices as a significant aspect of our carbon reduction strategy this is an area that requires more time to implement. In particular, following the sale of our Built Environment Consulting business and as required by the Greenhouse Gas Protocol, we undertook an exercise in 2023 to re-baseline our scope 1 and 2 carbon emissions for the purposes of our metric and target to exclude the emissions from the disposed business. During 2024 our focus will be on utilising the revised emissions to establish a baseline amount of emissions for each of our business units to set carbon budgets. We believe that this approach will provide us with the appropriate platform to establish internal carbon prices in the longer-term.

To reflect the importance of our ESG and sustainability programme, a range of ESG targets are incorporated in the application of our remuneration policies for the leadership team and wider workforce. In respect of climate-related metrics, for the 2021, 2022 and 2023 long-term incentive awards, a specific climate-related performance measure related to achieving our target of 40% reduction in scope 1 and 2 carbon emissions by 2030 was introduced for awards made to executive directors and the Executive Leadership Team. This performance measure is worth 5% of the total award and performance is assessed over a three-year period. To enhance the rigour in which performance is reviewed, and avoiding reward for failure, the Remuneration Committee of the Board utilises the discretionary matrix when assessing bonus and long-term incentive plan outcomes in addition to the formulaic outcomes which considers any year-on-year changes, market conditions and relevant environmental, social and governance (ESG) matters.

More details on specific measures and disclosed 2023 outcomes can be found on page 142 in our 2023 annual report.

Our Aim	Target	Metric
To be trusted by clients to design, build and advance the world through our vision to deliver solutions that transform the world	Doubling client support aligned to energy transition and sustainable materials by 2030	Revenue from sustainable solutions which includes revenue from climate-related opportunities
	Consistently ranked in the Top Quartile ESG investment ratings within our sector group by 2025	MSCI rating and industry/peer group ranking
To take responsibility for the impact of the work we do and how we deliver it on the planet we share	To reduce Wood's scope 1 and 2 carbon emissions by 40% by 2030 on our journey towards net-zero	Absolute reduction in scope 1 and 2 carbon emissions from a baseline of 145,083 tonnes CO2e in 2019
	To ensure all Wood offices are single use plastic free by 2025	Percentage of offices single use plastic free

Metrics & targets continued

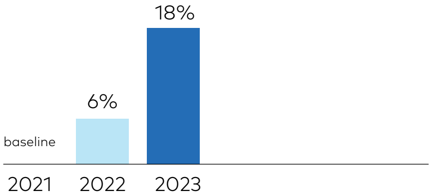
Client support aligned to energy transition & sustainable materials

Following the roll-out of our revised strategy in late 2022, we undertook an exercise to develop a taxonomy to categorise our revenue portfolio and identify revenues from our sustainable solutions.

Our sustainable solutions consist of a wide range of climate-related activities including services related to renewable energy, hydrogen, carbon capture & storage, electrification and electricity transmission & distribution, LNG, waste to energy, sustainable fuels & feedstocks and recycling, processing of energy transition minerals and decarbonisation in oil & gas, refining & chemicals and minerals processing. We also include revenue from our life sciences service line to recognise its alignment to the UN Sustainable Development goal of ensuring good health and wellbeing.

Our target is to double revenue from sustainable solutions in energy transition and sustainable materials markets by 2030, from a 2021 baseline. In 2023, our cumulative growth in sustainable solutions revenue was 18%.

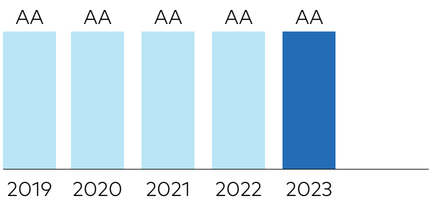
Client support aligned to energy transition & sustainable materials



MSCI rating and peer group ranking

Since the introduction of our target in 2020, Wood's ESG performance has consistently been ranked by MSCI as in the top quartile compared to our industry peers. Wood has maintained an AA Leader rating from MSCI for at least 9 consecutive years.

ESG ratings



Single use plastic (SUP) consumption

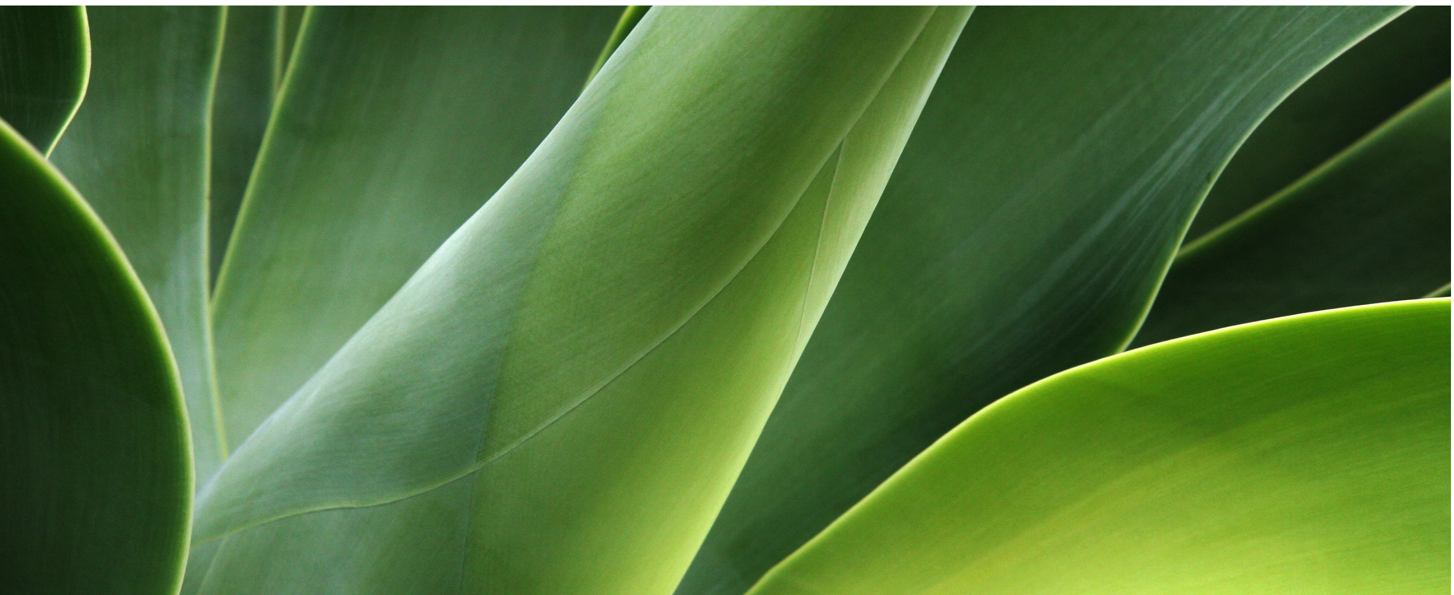
In 2022, we commenced a process to assess SUP consumption in our offices to attribute a rating according to plastic usage. By the end of 2023, 70% of our offices, had been assessed. Currently, 17% are SUP free and 45% are substantially SUP free. Progress is slower than anticipated due to challenges in eliminating certain items, however, we are placing a greater focus on SUP in 2024 to accelerate progress and ensure delivery of our target by the end of 2025.

Greenhouse gas (GHG) emissions

Our methodology for calculating GHG emissions is set out on page 59 of the 2023 annual report. Our 2023 carbon emissions data was externally verified by an independent third party in line with the requirements of ISO 14064-3. The sale of our Built Environment Consulting business completed in late September 2022 represented a significant change to Wood's carbon emissions profile and, following guidelines set down in the GHG Protocol we carried out an exercise to re-baseline Wood's carbon footprint. Prior to the re-baseline exercise our global scope 1 and 2 market-based emissions were 173,585 tonnes CO_2e and energy consumption used to calculate these emissions was 582,771 MWh. Our revised scope 1 and 2 emissions for the baseline year of 2019 are 145,083 tonnes CO_2e and our reductions against the baseline are shown in the chart below.

In 2023, we achieved an 8% reduction in absolute scope 1 and 2 emissions (market-based) compared to the prior year which has been achieved through:

- A continued focus on consolidating and increasing energy efficiency in our real estate portfolio
- Lower on-site fuel usage as certain major lump sum contracts completed and were not replaced in line with our preferred contracting structure.



To date we have achieved a 71% reduction from our 2019 baseline, compared to our goal of 40% reduction in scope 1 and 2 emissions by 2030. This reduction has been achieved without the use of carbon offsets. The focus of our carbon reduction strategy is on effecting behavioural change to reduce our emission, as such offsets do not currently form part of our strategy but we may need to consider their use in the future for a small but hard to abate portion of our emissions profile.

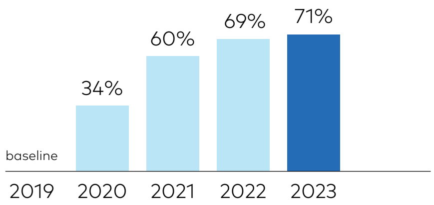
As we move into a growth phase this reduction in scope 1 and 2 emissions will potentially reverse to a certain extent as greater activity at project site level may result in additional onsite fuel usage and associated travel.

We recognise that scope 3 forms the largest part of our total emissions. We commenced reporting of scope 3 in 2021 to provide greater transparency over the drivers of these emissions. This has allowed us to initiate foundations that will in the future help us to address our scope 3 footprint.

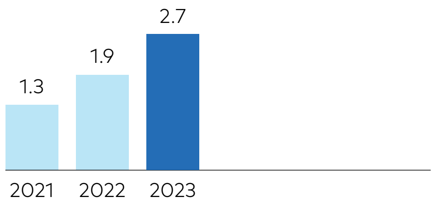
By its nature, the calculation of scope 3 emissions relies on a significant amount of estimated data. The rise in our scope 3 emissions in 2023 was largely driven by an increase in purchased goods and services related to increased activity and increasing accuracy in our data as our approach continues to mature.

Further information on our GHG emissions including, methodology and reporting boundaries and intensity ratios is available on page 59 of our 2023 annual report.

Scope 1 and 2 emissions reduction



Scope 3 emissions million tonnes CO2e



Sir Ian Wood House

Hareness Road Altens
Industrial Estate Aberdeen,
AB12 3LE
Scotland, UK

Tel +44 1224 851000

woodplc.com