Wood is a global leader in consulting, projects and operations solutions in energy and the built environment. We operate in more than 60 countries, employing around 55,000 people, with revenues of around $10 billion.

woodplc.com
Highlights

Earnings growth, margin improvement and strong cash generation. Portfolio optimisation supports strategic positioning for opportunities in energy transition and sustainable infrastructure.

| Revenue\(^1\) | $9,890m | (2018: $10,014m) | ▼ 1.2% |
| Adjusted EBITDA\(^2\) | $855m | (2018: $694m) | |
| Adjusted EBITDA margin | 8.6% | (2018: 6.9%) | |
| Adjusted EBITDA (on a like for like basis)\(^3\) | $704m | (2018: $668m) | ▲ 5.4% |
| Adjusted EBITDA margin (on a like for like basis)\(^3\) | 7.1% | (2018: 6.7%) | ▲ 0.4% |

Operating profit before exceptional items\(^1\) | $411m | (2018: $357m) | ▲ 15.1% |

Operating profit | $303m | (2018: $165m) | ▲ 83.6% |

Profit/(loss) for the period | $73m | (2018: $(8)m) | movement: n/a |

Basic EPS | 10.7 cents | (2018: (1.3) cents) | movement: n/a |

Adjusted diluted EPS\(^1\) | 46.0 cents | (2018: 46.6 cents) | ▼ 1.3% |

Total dividend | 35.3 cents | (2018: 35.0 cents) | ▲ 0.9% |

Net debt excluding leases\(^4\) | $1,424m | (2018: $1,513m) | ▼ 5.9% |

Order book\(^5\) | $7,898m | (2018: $8,524m) | ▼ 7.3% |

Financial performance

- Revenue of $9.9bn reflects generally robust activity across energy and built environment markets.
- Adjusted EBITDA of $855m and operating profit before exceptions of $411m in line with guidance and expectations.
- Growth in like for like adjusted EBITDA of 5%, led by ASEAAA and E&IS and the delivery of cost synergies of c$60m.
- Profit for the period of $73m benefitting from significant reduction in exceptional items (net of tax) from $183m to $127m. Exceptional costs include a $46m provision in respect of certain regulatory investigation settlements.
- Adjusted diluted earnings per share (AEPS) of 46.0c down 1.3%.
- Strong cash conversion of 96% reduced net debt excluding leases to $1.42bn (2018: $1.51bn). (Net debt excluding leases: adjusted EBITDA pre IFRS 16 of 2.0x)\(^6\)
- Disposal of nuclear and industrial services businesses completed in Q1 2020 generated proceeds of c$430m delivering target leverage of 1.5x on a proforma basis\(^7\).
- Proposed final dividend of 23.9c, total dividend of 35.3c up 1% in line with progressive dividend policy.

Outlook for 2020

- Order book of $7.9bn\(^5\) reflects our short cycle model, the work off of legacy fixed price work as the portfolio is de-risked and enhanced tender governance. Current visibility typical for this point in the year with c60% of forecast revenue covered by order book, of which c75% is reimbursable.
- Existing forecasts and order book support modest underlying revenue growth and growth in underlying EBITDA, underpinned by margin improvements, as set out in our January trading update.
- Existing forecast for cash generation in 2020 anticipates lower provisions movements, and reductions in known exceptional items and capex. Timing of any settlement of regulatory items is uncertain although it is possible that it could be in 2020. Benefit of maintained focus on working capital management likely to be more than offset by current expectation of an unwind of advances on EPC projects received in 2019.
- Recent impacts of Covid-19, the substantial reduction in oil price and actions we will take to mitigate not reflected in existing forecasts; too early to quantify. No material impact to date from Covid-19. Proven track record of leveraging our flexible, asset light model in response to changing market conditions and over the last 5 years we have diversified end markets; upstream/midstream oil and gas represents only 35% of revenue.
- Looking further ahead, well positioned for growth opportunities presented by trends in energy transition and sustainable infrastructure, with a unique range of capabilities and breadth of clients and markets.

See detailed footnotes on page 17.
Wood is a global leader in consulting, projects and operations solutions in energy and the built environment.

Our consultancy offering provides innovative solutions needed to solve our clients’ biggest challenges. Our value-added projects and operations offerings help unlock and de-risk client projects, increase production, improve efficiency, reduce costs and extend asset life.

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Our service defined operating model

We have an optimised operating model that is service defined. We deliver three principal services:

- Consulting
- Projects
- Operations

Across two broad end markets:

- Energy
- Built environment

We believe this service defined operating model is highly efficient, aligns to our clients’ requirements and provides significant opportunities for pull-through sales and cross selling.

Internally we are aligned into two broad reporting business groupings. Our projects and operations service lines are managed in Asset Solutions and our consulting offering is managed in Technical Consulting Solutions.

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Three service lines:

- Consulting
- Projects
- Operations

Two end markets:

- Energy
- Built environment

End market breakdown:

- Energy: c85%
  - Upstream/midstream c35%
  - Downstream & chemicals c25%
  - Other energy c25%
- Built environment: c15%

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Find out more about our business at:
woodplc.com/ataglance

Find out more about our markets at:
woodplc.com/sectors
Our organisational structure

**Asset Solutions (AS)**
Provides projects and operations services across the life cycle ranging from initial feasibility and design, through construction, operation, maintenance and decommissioning. AS is split into two regional business groupings; Americas (ASA) and Europe, Africa, Asia & Australia (ASEAAA).

**Revenue:**
$7.0 bn

**Key services:**
- Projects
  - Project management & delivery
  - Engineering design
  - Construction
- Operations
  - Asset optimisation
  - Modifications
  - Maintenance

**End market breakdown:**
- Energy: c95%
  - Upstream/midstream c50%
  - Downstream & chemicals c30%
  - Other energy c15%
- Built environment: c5%

**ASA**
Revenue: $3.9 bn

**Service breakdown:**
- Projects c75%
- Operations c25%

Read more on page 18

**ASEAAA**
Revenue: $3.1 bn

**Service breakdown:**
- Projects c40%
- Operations c60%

Read more on page 19

**Technical Consulting Solutions (TCS)**
Providing the innovative thinking and delivery excellence needed to maximise value at every stage of the asset life cycle. In Q4 2019 our Specialist Technical Solutions (STS) and Environment & Infrastructure Solutions (E&IS) business units were combined to create TCS.

**Revenue:**
$2.8 bn

**Key services:**
- Consulting

**End market breakdown:**
- Energy: c50%
  - Upstream/midstream c15%
  - Downstream & chemicals c5%
  - Other energy c30%
- Built environment: c50%

**TCS**
Revenue: $2.8 bn

**Service breakdown:**
- Consulting 100%

Read more on page 20
We create value by delivering differentiated consulting, projects and operations solutions throughout the asset life cycle in energy and the built environment. Our clearly defined purpose and strategy, underpinned by our culture, is fundamental to sustaining value over the longer-term.

Our business model

Inputs
Performance driven and innovative solutions

Talented, flexible and motivated workforce
See page 38

Operating structure optimised for sustainability, cross-service line opportunities and future growth
See page 02

Efficient capital structure and allocation

Flexible commercial model with a balanced risk appetite

Robust risk governance and operations assurance policies and processes

Sustainability strategy aligned with UN goals
See page 15

Our strategy is to create a premium, differentiated, higher margin consulting, projects and operations solutions business

Four primary trends shape our markets and drive our strategy. Our capabilities are levered to structural growth in energy transition and sustainable infrastructure and aligned to the increasing role of digital & technology and the requirement to develop the necessary future skills.

Energy transition
Services aligned to the transition to alternative energy sources and decarbonisation

Sustainable infrastructure development
Capabilities to solve the challenges of rapid urbanisation

Digital & technology
Utilising the increased role of technology to enhance the delivery of our technical capabilities

Our purpose
To create a sustainable future for energy and the built environment

Future skills
Investing in agile and digitally connected teams to accelerate value for Wood and our clients

Our five medium-term priorities:

1. Targeting margin improvement to accelerate growth
2. Optimise and standardise service delivery model to achieve exceptional execution
3. Rationalisation and positioning of portfolio to optimise our service and market mix aligned to our strategic objectives
4. Technology differentiation through internal R&D, strategic partnerships and scaleable solutions
5. Improved risk/reward on contracts in line with balanced risk appetite
Our culture

Our vision

Inspire with ingenuity, partner with agility, create new possibilities...

Creating value through our differentiated model

Our strategic enablers:

Agile teams

We deploy our most talented people with agility to deliver the right solutions now and in the future. Our ability to adapt keeps us relevant and offers great opportunities for our people.

Exceptional execution

We are differentiated by our shared commitment to consistently delivering exceptional outcomes that add value and build trust. We have around 90% repeat business and have developed leading market positions from our long track record of delivering safe and best in class projects.

Commercial acumen

We employ an asset light, flexible model allowing us to respond quickly to changes in market conditions and allocate capital where it impacts most. Our contracting structures are largely reimbursable with a range of specific contracting structures to align with client needs within our measured risk appetite. We have a broad client base with a wide mix across sectors giving us low client dependency.

Technological advantage

We deliver greater efficiencies and create new solutions through combining our unique know-how with leading-edge, enabling technology. We provide solutions to some of the world’s most complex projects and draw on our extensive expertise and know how to bring new perspectives on the challenges these projects present.

Our values

Care
Commitment
Courage

Our behaviours

Listen up
Lift others up
Stand up
Team up
Don’t give up
Speak up

Value outputs

For investors

- Share price appreciation and progressive dividend policy
- Reduced cyclicality through broad industry exposure

Total dividend

35.3 cents per share

For employees

Rewarding careers and focus on retention

Employees

55,000+

For clients

- Delivery of predictable project outcomes
- Global reach with balanced portfolio of long-term partner relationships with clients
- Leading technical services and smarter, more sustainable solutions
- Track record on industry leading projects

For communities

Significant contribution to local employment and communities

Employee fundraising matched

c£200,000

Read more on page 38
Read more on page 42
In 2019 we were awarded a multi-million dollar contract by Oil and Gas Climate Initiative (OGCI) to provide conceptual engineering for its gas power and industrial carbon capture conceptual design work.

OGCI is a voluntary CEO-led initiative made up of 13 oil and gas companies, taking practical actions on climate change by investing in technologies and processes that have the potential to significantly reduce greenhouse gas emissions. This project aims to be the first full-chain carbon capture, transport and storage project in the UK, and once complete, will establish best practice for carbon capture within the UK’s highest CO2 emitting industries.

Our scope covers complete engineering and concept design work for a full-scale 750MW gas power plant with carbon capture of over 90% of emissions. We are drawing on our over 15 years’ experience in carbon capture and storage projects for clients and leading industry bodies whilst leveraging our global expertise in consulting, process technology, pipelines and capital projects.

Being at the forefront of this industry-led project demonstrates our ongoing commitment to mitigating climate change and strengthens our position as a leader in energy transition, from generation, storage, transmission, delivery, consumption, to related environmental and social impacts.

Key facts:

1. 1st project of its kind in the UK
2. 90+% carbon emissions capture
3. 13 oil & gas majors investing in the initiative
Wood has provided environmental consultancy solutions related to the proposed expansion of Heathrow Airport, currently one of the UK’s largest infrastructure projects. Once the expansion of the airport is complete, it will be capable of serving 260,000 additional flights and an extra 50 million passengers per annum.

Our scope includes assessing the environmental impacts of the expansion on noise pollution, air quality, waste generation and groundwater, whilst also improving the operational efficiency of the airport. Over the course of the project, we will deliver engineering surveys that will assess more than 1,000 individual locations, as well as provide river and flood engineering and airfield drainage.

Our services are focused on ensuring that the design, build and operation of the airport can be executed in the most environmentally sustainable way. Our capabilities, experience and solution-based approach to solving complex environmental challenges give us a leading position to support major transport infrastructure projects of this nature.

Key facts:

Largest environmental project in the UK

1,000 individual locations for environmental assessment

£211bn estimated economic benefit
Effective engagement with our stakeholders

In order to successfully deliver our strategy and create value for our stakeholders it is important to understand what matters to them.

Understanding our stakeholders will only be achieved by building strong, constructive relationships and through regular engagement. We welcome the different perspectives our diverse stakeholders, who often represent competing interests, bring to our decision making at both executive and Board level.

Employees
Our employees are fundamental to the delivery of Wood’s services and therefore to the long-term success of the business. It is important to develop our employees and keep them engaged and motivated. We engage with our workforce so that we can understand and address areas where we need to improve to ensure we deliver rewarding careers and retain our talented people.

How we engage
We discuss our workforce engagement activities on page 38.

Areas of engagement and outcomes
The Company has an all employee global survey to ask what we do well and what could be done better.

The Company has established a Listening Group Network (LGN) with meetings, attended by non-executive directors and members of the Executive Leadership Team (ELT), held throughout the year.

Employee survey and Listening Group Network
Feedback from the employee survey and views from the LGN are reported to the Board to ensure their perspective is heard, strengthening the ‘employee voice’ in the boardroom, with any actions implemented to address the points raised. More information describing the LGN and outcomes can be found on page 39.

Board engagement with leaders & high potential employees
The Board holds dinners with members of the wider leadership team, beyond ELT level, as well as with high performing employees. These sessions allow the Board to understand the views of and issues faced by the leadership team so that they can be factored into the Board’s decision making. Meeting with high performing employees provides the opportunity to engage with employees on the issues that matter to them whilst also giving the Board oversight of the talent pipeline for the purposes of senior management succession planning.

Divestment of the nuclear business
During the sale of the nuclear business the Board recognised that careful communication with employees was very important. Employees who were potentially directly affected were kept informed through staff briefings in all nuclear offices. To ensure the wider workforce was informed and to manage the impact on Wood’s culture, a dedicated intranet page was created and regularly updated with Q&A and other documents and guidance.

Clients
The Company’s long-term success is underpinned by our clients and the delivery of predictable project outcomes that are aligned to our clients’ requirements. To deliver a great service, we listen to our clients to make sure we are leveraging our scale, global reach and technical depth.

How we engage
Client engagements are managed through our structured Client Management Framework (CMF) by dedicated account managers with specific account planning and objectives. The Chief Executive, members of the ELT and other senior leaders participate in annual client executive steering/sponsor sessions.

Our primary focus is:
- Safe and predictable outcomes
- Enduring relationships underpinned with trust and performance
- Delivering sustainable and digitally enabled solutions

Areas of engagement and outcomes
Client engagement sessions cover a broad range of topics such as: safety, delivery performance, update on strategic themes, leadership and portfolio updates, long-term project review, and exploring opportunities to jointly raise delivery outcomes and co-create value add solutions. These engagements are a unique opportunity for Wood to listen to clients and vice versa.

Client feedback helps us to continually improve our performance. The insight from client engagement helps to inform Company operational, business development and long-term strategic direction.

Divestment of the nuclear business
During the sale of the nuclear business and the creation of TCS, clients were kept informed and concerns were fed back to the leadership for consideration.
**Investors & Lenders**

It is important that our investors have confidence in the Company, how it is managed, and in its strategic objectives, to ensure that we have a stable, long-term shareholder base. By providing updates on our strategy and performance we can aid investor understanding and gain an insight to their priorities. The Company’s long-term success is also dependent on its good relationship with its lenders and their continued willingness to lend.

**How we engage**

We have an active investor relations programme led by the Chief Executive and Group CFO and supported by the Investor Relations team. Our main engagement activities include:

- Meetings with investors around the interim and full year results
- Investor roadshows
- Investor days and presentations
- Ad hoc calls or meetings with investors
- Meetings with the Chair of the Board around the AGM
- Meetings with Chairs of the Committees of the Board, particularly the Chair of the Remuneration Committee

With our lenders a mixture of formal and informal meetings and presentations are held. Key topics include financial performance, strategy and risk management. Lenders are kept up to date with financial performance and have the opportunity to ask further questions.

**Areas of engagement and outcomes**

In addition to routine engagement on financial performance, strategy delivery and governance, during 2019 we undertook engagement with investors on certain specific matters as detailed below together with the resulting outcomes and actions.

**Capital markets presentation**

We gave a presentation to investors and analysts on Wood’s strategic direction over the medium-term and the macro trends and key growth drivers in its addressable markets that will shape the business, together with the Company’s financial priorities. Investors have an understanding of Wood’s clear strategic direction and growth drivers in the medium-term together with the Group’s capital allocation priorities and earnings growth target.

**Chair succession planning**

Investors expressed interest in the succession plans following changes to the Governance Code that requires that the Chair’s tenure does not exceed 9 years. Investors’ views were considered, from these discussions and following a review of internal and external candidates, the Nomination Committee determined that an internal appointment would be in the best interests of the Company.

**Director remuneration**

In May 2019 the Chair of the Board and the Chair of the Remuneration Committee engaged with investors on the application of the remuneration policy, particularly in relation to the proposal to award LTIPs at exceptional levels in 2019. In response to investor feedback the Remuneration Committee took the decision to cancel LTIP awards at exceptional levels and revert to previous participation levels.

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**Environment**

Further information on our environmental performance and ongoing strategy is contained in our annual sustainability report which is available at: [woodplc.com/sustainability](http://woodplc.com/sustainability)

Managing, protecting and enhancing our environment is imperative to the sustainability of our business and the standards we set and help shape the performance, profitability and the reputation of the Company.

**How we engage**

We engage with regulatory and industry bodies, shareholders, banks & lenders, and clients. Our integrated HSSEA management system provides the framework for how we manage environmental risks and how we align our business to ISO14001:2015.

**Areas of engagement and outcomes**

We engage with regulators throughout the jurisdictions we operate in to ensure a close working relationship on our projects related to operational permits and licences, greenhouse gas emissions, discharges and waste management. Engagement ensures best practice and learning is shared and embedded into the projects we undertake.

We participate in the annual voluntary Carbon Disclosure Project (CDP) questionnaire. Our involvement in the scheme allows us to benchmark our performance against that of our industry peers and global business community.

We continue to partner with 100 Resilient Cities (100RC), a global programme aimed at providing urban centres around the world with access to innovative tools that allow them to better plan for potentially destructive weather events. Through our work with 100RC we have been able to provide safe and sustainable project solutions around the globe that not only secure work contracts but provide a platform to best utilise our sustainability and climate resilience expertise.
Community
Our activities put us at the heart of local communities and we recognise that by actively supporting our local communities we:

- Develop closer ties based on mutual respect, trust and understanding
- Bring long-term sustainability to the locations where we do business
- Form lasting relationships with local communities

How we engage
We have taken a three-tiered approach to community engagement:

1. Supporting employee personal choice charities
2. Uniting our business behind one global cause that demonstrates we are stronger together
3. Volunteering to support our communities at a local level

Areas of engagement and outcomes
We recognise that our employees are best placed to understand the needs of the communities we operate in and we support their volunteering efforts to benefit local communities. Details on the outcome of community activities are on pages 42 to 44.

Suppliers
Our suppliers are fundamental to our ability to deliver services to our clients safely, on time, within budget and to the quality standards we and our clients expect.

How we engage
Relationships with suppliers are developed at all levels within the organisation through daily business activities and regular meetings, however we engage in Supplier Relationship Management (SRM) with our strategic suppliers.

Areas of engagement and outcomes
We review a number of KPIs/performance measures (e.g. HSSE incidents, quality, delivery, spend) as well as utilising due diligence to identify risks and work with our suppliers to close any gaps. We discuss matters including performance issues, training and innovations and upcoming projects to help us align business goals. In 2020, our environmental incident reporting system will include additional fields to gather information on equipment failure to allow issues to be addressed with suppliers.

Pension plans: Current & Deferred Workforce and Pensioners
We are committed to offering our workforce suitable retirement plans, where appropriate. We engage with those who are currently employed to enable them to understand the range of offering and make the right choices.

In the UK, the Trustee of the pension plan is responsible for engagement with members. In the USA and Canada the Benefits Committee is responsible for engagement with members through the centralised Benefit Department.

How we engage
In the UK, USA and Canada we proactively engage with new employees at the point of hire detailing the retirement savings options available to them. Engagement is proactive via dedicated portals.

In the UK, we have member nominated trustees who represent current, deferred and retired members. These are voted on by participants in the pension plan. The company also has company nominated trustees. The Trustee is responsible for detailed communications with its members. The company works with the Trustee to ensure communications are appropriate and relevant. In the USA and Canada we have 401k committees who meet quarterly.

The Company is responsible for engaging with the 401k committees and UK Trustee on company matters which may impact the retirement plans e.g. financial performance and structural changes.

Areas of engagement and outcomes
Issues raised by the Trustee and Committees are carefully considered by the executive leadership and referred to the Board as appropriate. This ensures better understanding and alignment of Company and Trustee/committee objectives. The Trustee and the 401k committees are proactively updated by the Company on company performance.

The UK pension Trustee was consulted during the negotiations for the sale of the nuclear business in the UK to assess the impact on the Company’s ability to support the defined benefit plan. This resulted in additional contingent protection being put in place.

UK employees moved into a merged defined contribution plan in April 2019 with lower charges and improved administration to harmonise UK defined contribution pension provision.
Our principal decisions

We define principal decisions as both those that are material to the Group but also those that are significant to any of our key stakeholder groups.

Understanding what matters to our stakeholders is an important part of our planning and decision making and we consider these stakeholder priorities alongside our own assessments. In making the following principal decisions the Board considered the outcome from its stakeholder engagement as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between members as a whole.

Creation of Technical Consulting Solutions division

In support of Wood’s medium-term strategy to create a higher margin consulting, projects and operations solutions company, the Board determined that combining the E&IS and STS business units would better position Wood’s premium margin, high value consulting offering with clients. We announced the creation of Technical Consulting Solutions (TCS) in November 2019 which combines these business units.

In its decision making the Board considered the impact of this on external stakeholders. It was clear that client requirements are evolving and the Board considered that the creation of TCS would benefit clients as they increasingly look to work with consultants and advisors who bring innovation to their capital projects and management of their operational assets.

The Board also concluded that the creation of TCS could generate improved returns for investors due to increased opportunities for cross selling of Wood’s services and the delivery of greater efficiency and approximately $30m of cost synergies expected to be delivered over two years from the formation.

The formation of TCS was widely communicated across the workforce with dedicated space on the staff intranet with Q&A documents, ensuring employees were aware of the reasons for and benefits of the combination.

Post-implementation, the staff intranet was kept updated with further information and guidance. Any short-term negative impacts were mitigated by careful internal and external design planning for the change with good communications and cooperation easing the transition.

Dividend Policy and Payment

The Board considers the dividend to be an important component of shareholder return and as such has a progressive policy which takes into account future cashflows and earnings. The dividend policy was discussed at Board meetings throughout the year and regular shareholder engagement was undertaken.

The Board is cognisant that dividend policy decisions can have an impact on the future prospects of the business and the Board considered the likely long-term consequences of the policy. Meeting shareholder dividend expectations is a high priority as it supports the business growth strategy.

For the year 2019, and in accordance with the dividend policy, an interim dividend of 11.4 cents per share was paid in September 2019 and the Board has recommended a final payment for the year of 23.9 cents per share. This results in a total distribution of 35.3 cents compared to 35.0 cents in 2018.

For details how we establish and define our key stakeholders groups see pages 08 to 09

Divestment of nuclear business

In August 2019 we announced the sale of our nuclear business, conditional upon, among other things, Competition and Markets Authority clearance. The decision to divest the nuclear business was taken after careful consideration of the best way to support its clients and stakeholders over the long-term, whilst aligning to Wood’s medium-term strategic priorities and delivering a significant step towards achieving our target leverage policy.

The Board determined that the sale of the nuclear business would promote the long-term success of the Group as a whole and would accelerate progress towards target leverage of 1.5x net debt to adjusted EBITDA.

Furthermore, the Board believes divesting the nuclear business to a purchaser who is committed to investing in its business assets, infrastructure, and employees would be in the best interests of the nuclear business.

The possibility of divestments generally and their potential to accelerate achievement of the Group’s target leverage policy had been highlighted in updates to and discussions with investors and was met with general support.

Staff briefings were held in all nuclear offices, led by a member of the wider leadership team and a dedicated page was created on the staff intranet with Q&A, documents and guidance. This page was updated regularly to ensure employees are aware of the potential impact of the disposal. Careful planning and communication to employees was also important for managing the impact on Wood’s culture.

Clients were consulted and kept informed and concerns were fed back to the leadership team.
Key performance indicators

To help the Group assess its performance, our leadership team sets KPI targets and monitors and assesses performance against these targets on a regular basis.

Safety:

- **Total recordable case frequency (TRCF)** per 200,000 manhours
  - 2016: 0.27
  - 2017: 0.25
  - 2018: 0.18
  - 2019: 0.18

We aim to deliver the highest standards of health and safety. Total recordable case frequency is the total of lost work cases, restricted work cases and medical treatment cases, per 200,000 man hours.

- **Lost work case frequency (LWCF)** per 200,000 manhours
  - 2016: 0.06
  - 2017: 0.05
  - 2018: 0.04
  - 2019: 0.04

Lost work case frequency measures lost work cases per 200,000 man hours.

Our TRCF and LWCF performance remained in line with 2018 against the backdrop of an increase in the proportion of total manhours from field and craft operations which have greater exposure to hazard. In addition, total injuries reduced by 109 cases overall.

Financial*:

- **Adjusted EBITDA margin**
  - 2016: 10.2%
  - 2017: 7.8%
  - 2018: 6.9%
  - 2019: 8.6%

Adjusted EBITDA margin demonstrates our ability to convert revenue into profit before exceptional items. In line with the simplification of our reporting metrics adjusted EBITDA replaces adjusted EBITA as our profit KPI. Prior year comparatives have been restated to reflect the new measure.

Adjusted EBITDA margin increased in the year due to the positive impact of IFRS 16 together with the benefit of cost synergy delivery and organic growth which was partly offset by cost overruns on projects in ASA and increased costs related to asbestos and foreign exchange.

- **Adjusted diluted EPS (AEPS)**
  - 2016: 53.5 cents
  - 2017: 42.9 cents
  - 2018: 46.6 cents
  - 2019: 44.0 cents

Adjusted diluted EPS represents earnings before exceptional items and amortisation relating to acquisitions, net of tax, divided by the weighted average number of shares during the year.

AEPS reduced slightly in the year due to small increases in finance costs and software amortisation.

- **Cash conversion**
  - 2016: 68%
  - 2017: 69%
  - 2018: 102%
  - 2019: 96%

The cash conversion ratio is post working capital cash flow divided by adjusted EBITDA. This measures our ability to convert underlying earnings into cash.

Although slightly lower than 2018, cash conversion was strong in 2019 at 96% driven by a working capital inflow, which reflects our continued focus on working capital initiatives, the benefit of advance payments relating to ASA and a reduction in exceptional costs.

The net debt: adjusted EBITDA ratio measures our ability to service our debt. For the purposes of the ratio net debt is stated excluding liabilities related to leases (including those recognised under IFRS 16). Adjusted EBITDA is stated before the impact of IFRS 16.

The net debt to adjusted EBITDA ratio reduced in the year as a result of strong cash performance. The disposals of our nuclear and industrial services businesses in Q1 2020 have accelerated our progress towards our target leverage of 1.5x. Adjusting for the disposals, on a proforma, pre-IFRS 16 basis we have now achieved our target leverage.

- **Dividend per ordinary share**
  - 2016: 33.3 cents
  - 2017: 34.3 cents
  - 2018: 35.0 cents
  - 2019: 35.3 cents

The share of AEPS distributed to shareholders. Dividend per share increased by 1% in line with our progressive dividend policy, which takes into account cash flows and earnings.

*Financial KPIs include a full year contribution from Amec Foster Wheeler (AFW) in 2018 and in 2017 include the contribution from AFW for the period 6 October to 31 December 2017.

For more information on our safety performance see pages 27 to 28

For further detail on the factors that can affect cash conversion see page 24
Chair's statement

"In 2019 the Board oversaw the development of a strategy to create a premium, differentiated, higher margin business aligned to emerging trends in energy transition and sustainable infrastructure."

Wood began the new strategic cycle in 2019 with a strong operational platform positioned with the right capabilities and end market exposures. The Board oversaw the development of a strategy which will run to 2023 to unlock and deliver longer term growth from a premium, differentiated, higher margin business aligned with the emerging trends in energy transition and sustainable infrastructure. The strategy was rolled out in the fourth quarter through extensive internal communication and a capital markets event.

During the year the Board supported the executive and leadership team as they delivered against the commitment to further deleverage the business. Significant work was also undertaken to optimise Wood’s operating model, creating a dedicated consulting offering in TCS and agreeing the disposal of Wood’s nuclear and industrial services activities both of which completed in the first quarter of 2020.

The full year results reflect the strong operational and financial focus of the leadership team. Adjusted EBITDA grew 5% on a like for like basis. Strong operational cash generation delivered a reduction in net debt and supported a small increase in the dividend.

Wood remains committed to its progressive dividend policy which takes into account future cashflows and earnings. This is a key foundation of the Wood investment case which has been sustained through the challenging conditions in our core markets over the last few years. The Board has recommended a final dividend of 23.9 cents per share, which makes a total distribution for the year of 35.3 cents, representing an increase of 1% on the total distribution for 2018.

In a world where environmental concerns have moved swiftly to the top of the global agenda, the future will be very different from the past. Wood’s sustainability strategy is fundamental to the long-term success of the business and is aligned to the UN Sustainable Development Goals. In addition, decisive action taken over recent years has ensured Wood is well placed to be part of the solution to these challenges with a business strategy focused on helping to secure the energy transition and deliver sustainable infrastructure solutions. This will be supported by a continued focus on margin improvement, execution excellence and portfolio optimisation in 2020. Looking further ahead, there is a positive medium term outlook for Wood’s end markets and the Board is confident in the leadership teams’ ability to deliver organic and acquisition led growth.

Roy A Franklin
Chair
Chief Executive review

"In 2019 we delivered earnings growth, margin improvement and strong cash generation which resulted in a reduction in net debt. Our strategy has driven decisive action to align Wood with the significant growth opportunities in energy transition and sustainable infrastructure and we made good progress on portfolio optimisation and the repositioning of our consulting, project and operations service offering in 2019. The disposal of our nuclear and industrial services businesses generated proceeds of c$430m in Q1 2020 and accelerated progress to target leverage. We are confident that from this foundation we are building a differentiated, premium, higher margin business, supported by a continued focus on margin improvement, execution excellence and portfolio optimisation."

Robin Watson
Chief Executive

Overview

During 2019 we retained our strong strategic and financial focus. This is reflected in the progress made on optimising our operating platform while delivering earnings growth, EBITDA margin improvement and strong cash generation. We also outlined a strategy to create a premium, differentiated, higher margin business with an enduring market position aligned to the opportunities presented by energy transition and sustainable infrastructure. This strategy will run to 2023 and builds on actions taken over the last four years to position Wood as a flexible, asset light business with the right mix of capability and end market exposure ahead of a significant generational change. We have already made good progress against our strategic objectives with the delivery of margin improvement, progress on portfolio optimisation and a reduction in our project risk profile whilst also taking steps to deliver further efficiency savings. We are entering 2020 with a unique range of capabilities and an optimal service offering in consulting, projects and operations in energy and the built environment.

Financial delivery: earnings growth, margin improvement and cash generation

In the last strategic cycle we laid strong financial foundations as we improved project risk governance, delivered synergies, reduced the level of exceptional costs and structurally improved working capital management.

Our 2019 full year results reflect this focus and agility, demonstrating adjusted EBITDA growth of 5% and 40 bps adjusted EBITDA margin improvement, both on a like for like basis, good growth in operating profit which is up 15% and strong operational cash generation.

We increased the dividend by 1% in line with our progressive dividend policy and delivered a reduction in net debt excluding leases of $89m, further strengthening our balance sheet.
Future Ready Now: creating a premium, differentiated, higher margin business

We have redefined the shape of our business for the opportunities presented by the emerging trends in energy transition and sustainable infrastructure.

In the fourth quarter of 2019, we brought together the capabilities of STS and E&IS into a more efficient, global, industry leading consulting offering. Technical Consulting Solutions (TCS) is a premium EBITDA margin business with significant cross selling opportunities and delivers consulting-led solutions against a backdrop of increasing environmental focus, the evolving energy transition, and public demand for sustainable infrastructure. The combination will also deliver operational efficiencies of over $30m within two years of the formation of TCS.

The disposals of our nuclear and industrial services activities, completed in early 2020, reflect our focus on differentiated, higher margin activities with compelling structural growth potential. Net proceeds of c£430m were received in Q1 2020 and accelerate our progress towards our target leverage. Net debt excluding leases to adjusted EBITDA pre IFRS 16 is c1.5x on a proforma basis.

Improved safety performance and focus on sustainability

Our focus on safety is paramount and we maintained our strong performance in 2019, with Total Recordable Case Frequency (TRCF) and Lost Work Case Frequency (LWCF) both in line with 2018.

Sustainability is at the heart of our approach to running our business and executing our projects. We are a signatory to the U.N’s Sustainable Development Goals (SDGs), actively tracking our performance against them and consider our strategy and service offering as an important enabler for the energy transition and to meet the UN’s targets on climate change.

Priorities for 2020: Margin improvement, execution excellence, portfolio optimisation & sustainability strategy

My leadership team has four principal areas of focus in 2020 aligned with our strategic priorities:

Portfolio optimisation: We will continue to refine our operating model and dispose of activities which do not meet our benchmarks on profitability or strategic fit. This process will support future investment as we look to rebuild our bolt-on M&A opportunity pipeline in 2020 with a principal focus on our consulting activities in the built environment.

Margin improvement: To achieve our strategic goal of 100bps margin improvement by 2023, compared to the 2019 margin of 8.6%, we are working on a number of initiatives. These include further efficiency and cost reduction measures including synergies relating to the formation of TCS, continued emphasis on risk governance to secure work at the right margin, remaining commercially versatile whilst also better leveraging our differentiation and technological advantage to ensure we are appropriately rewarded for the value we create.

Execution excellence: Achieving consistent, predictable, best in class delivery across all projects is key to maintaining long term business and delivering lower earnings volatility. We start from a strong position in a number of areas with an opportunity to replicate delivery excellence across our business. Our unique heritage gives us broad capabilities and a strong track record. Building on this by working with our technology partners to create the best support eco-system whilst further differentiating our offering will also support our margin improvement strategy.

Sustainability strategy: We have identified clear areas of focus including safety performance, environmental improvements and maintaining appropriate governance standards. Aligned to these areas we are working towards a number of objectives to deliver measurable improvements in our sustainability performance including reducing high potential safety incidents, reducing carbon emissions, ensuring a leading position in working conditions and delivering active diversity and inclusion programmes.

In summary, we have an enduring and differentiated investment platform based on an asset light, cash generative model which is supported by a commercially versatile approach and a measured risk appetite. The flexibility in our operating model enables us to react quickly to changing market conditions. We have experienced no material impact to date from Covid-19 and the broader impact of this, and the substantial reduction in oil price, on clients’ existing and new projects is as yet uncertain. As such, it is too early to quantify the potential impacts and also actions we will take to mitigate them. We have a proven track record of leveraging our flexible, asset light model in response to changing market conditions. In addition, over the last five years the Group has diversified its end markets such that upstream/midstream oil and gas represents only 35% of revenue.

We are strategically positioned for a new future with the capabilities to help secure the energy transition and deliver sustainable infrastructure solutions. We have leading market positions that enable us to deliver the solutions necessary to solve some of the world’s biggest challenges. With this model we are able to attract premium work, at the right margin, allowing us to enhance our profitability and grow, making for an even more attractive investment proposition.
Business review

Revenue  
$9,890m (2018: $10,074m) ▼1.2%

Adjusted EBITDA  
$855m (2018: $694m)  ▲23.8%

Adjusted EBITDA margin  
8.6% (2018: 6.9%)  ▲1.2%

Adjusted EBITDA (on a like for like basis)  
$704m (2018: $668m)  ▲5.4%

Adjusted EBITDA margin (on a like for like basis)  
7.1% (2018: 6.7%)  ▲0.4%

Operating profit before exceptional items  
$411m (2018: $357m)  ▲15.1%

Operating profit  
$303m (2018: $165m)  ▲47.1%

Profit/(loss) for the period  
$73m (2018: $(30)m)  ▲123.6%

Basic EPS  
10.7 cents (2018: 1.3 cents)  ▲88.6%

Adjusted diluted EPS  
46.0 cents (2018: 46.6 cents)  ▲1.3%

Total dividend  
35.3 cents (2018: 35.0 cents)  ▲0.9%

Net debt excluding leases  
$1,424m (2018: $1,513m)  ▼5.9%

Order book  
$7,898m (2018: $8,524m)  ▼7.3%

Trading performance

Our 2019 full year results demonstrate earnings growth, adjusted EBITDA margin improvement and strong operational cash generation, resulting in a reduction in net debt.

Revenue of $9.9bn reflected generally robust activity across energy and built environment markets with growth in ASA and solid activity levels in built environment markets in E&IS within TCS offset by lower revenues in ASEAAA and reduced STS activity in TCS.

Adjusted EBITDA of $855m includes the positive impact of $151m from the adoption of IFRS 16 in 2019. Like for like adjusted EBITDA, adjusted for disposals executed in 2019, was up 5.4% from $668m to $704m. This included the delivery of cost synergies of $60m and organic growth of around $55m led by ASEAAA and E&IS. This was partly offset by cost overruns of $53m on projects in ASA and increased costs of $26m relating to asbestos and foreign exchange.

Operating profit before exceptional items of $411m is stated after depreciation of $182m of which $128m relates to the adoption of IFRS 16, and amortisation of $264m (2018: $249m). Profit for the period of $73m includes the impact of significantly reduced exceptional costs net of tax of $127m (2018: $183m). These include $42m of restructuring and integration costs and a $46m provision in respect of regulatory investigation settlements.

Final dividend

Our progressive dividend policy takes into account future cashflows and earnings. The Board has recommended a final dividend of 23.9 cents per share, which makes a total distribution for the year of 35.3 cents, representing an increase of 1% on the total distribution for 2018. Dividend cover is 1.3 times (2018: 1.3x) and we expect to build dividend cover over the medium term.

Net debt and cashflow

Net debt excluding leases reduced to $1.42bn at 31 December 2019. This compares to net debt excluding leases at 31 December 2018 of $1.51bn and $1.77bn at 30 June 2019. The ratio of net debt excluding leases to adjusted EBITDA (pre IFRS 16) at 31 December 2019 was 2.0x (31 December 2018: 2.2x).

Our strong focus on operating cashflow delivered better than anticipated cash generation in the second half of the year despite significant expenditure on legacy projects.

A working capital inflow in 2019 of $204m (2018: $291m), together with a reduction in exceptional costs to $74m (2018: $142m) contributed to cash generation from operations (excluding the impact of leases) of $591m. Cash conversion, calculated as cash generated from operations (excluding the impact of leases) as a percentage of adjusted EBITDA (excluding JV expenses), was 96%, significantly ahead of our guidance of 80-85%. This includes the impact of improved cash collection $156m, a $128m cash inflow from advanced payments primarily relating to the Americas and the effect of the receivables facility which was drawn at $198m (30 June 2019: $192m and 31 December 2018: $154m).

We have made excellent progress with our portfolio optimisation strategy as we focus on premium, differentiated, higher margin activities. In Q1 2020 we completed the disposals of our industrial services and nuclear businesses, generating c£430m in proceeds. This follows other recent successful asset disposals including the Terra Nova Technologies (TNT) materials handling business in May 2019 for a consideration of £43m. We are active on other sales processes. The disposals have accelerated our progress towards our target leverage. Adjusting for the disposals, on a proforma, pre-IFRS 16 basis we have now achieved our target leverage of 1.5x adjusted EBITDA.

Order book

We have made significant progress on improving the quality of our order book and consistently applying our measured risk appetite. Order book at 31 December 2019 was $7.9bn (December 2018: $8.5bn), this excludes amounts related to the industrial services and nuclear businesses disposed in Q1 2020. Order book at 31 December 2018 has been restated on the same basis and also excludes amounts related to TNT and the APW power machinery businesses, both disposed in 2019. Around 75% of order book is reimbursable (December 2018: 71%).

The reduction in order book of 7% reflects the work off of legacy fixed price contracts as we de-risk our portfolio, our enhanced tender governance and our short cycle model. This reduction is most evident in Asset Solutions Americas where we are working off larger downstream & chemicals projects.

With c£5.8bn of order book to be delivered in 2020, 60% of forecast 2020 revenues are secured. This is typical for our short cycle business model and is slightly ahead of prior year.
Update on regulatory investigations

Discussions concerning possible resolutions of the investigations by the authorities in the US, Brazil and Scotland have progressed to the point where the Group believes that it is likely to be able to settle the relevant matters with these authorities at an aggregate cost of approximately $46m. This amount is reflected as a provision in the financial statements as described in note 20. The Group could also face further potential civil and criminal consequences in relation to the investigation by the SFO.

Outlook for 2020

Current visibility is typical for this point in the year with 60% of 2020 forecast revenue supported by order book. Existing forecasts and order book support modest underlying revenue growth and growth in underlying EBITDA, underpinned by margin improvements, as set out in our January trading update.

The recent impacts of Covid-19, the substantial reduction in oil price and actions we will take to mitigate are not reflected in existing forecasts as it is too early to quantify. We have experienced no material impact to date from Covid-19. We have proven track record of leveraging our flexible, asset light model in response to changing market conditions. In addition, over the last five years the Group has diversified its end markets such that upstream/midstream oil and gas represents only 35% of revenue.

Our existing forecast for cash generation in 2020 anticipates lower provisions movements, and reductions in known exceptional items and capex. The timing of any settlement of regulatory items is uncertain although it is possible that it could be in 2020. The benefit of our maintained focus on working capital management is likely to be more than offset by our current expectation of an unwind of advances on EPC projects received in 2019. These forecasts do not reflect the recent impacts of Covid-19, the substantial reduction in oil price and actions we will take to mitigate.

Looking further ahead, with a unique range of capabilities and breadth of clients and markets, we are well positioned for growth opportunities presented by trends in energy transition and sustainable infrastructure.

Footnotes:
1. Wood’s primary reporting metrics are revenue, aligned with the IFRS definition, and operating profit (pre-exceptional items) which is closely aligned with the IFRS definition but excludes the impact of exceptional items which by their nature are non-recurring items that might otherwise distort underlying operating profit. Adjusted EBITDA (pre-exceptional items), including Wood’s share of joint venture EBITDA, is adopted as an additional non-statutory /“non-GAAP” measure of profit. This is presented at the Group and Business Unit level to report underlying financial performance and facilitate comparison with peers. 2019 adjusted EBITDA includes adjusted EBITDA from our nuclear business and our industrial services business, the disposals of which completed in Q4 2020. Adjusted EBITDA includes the impact of IFRS 16 Leases (see note 2).
2. Adjusted EBITDA includes the impact of IFRS 16 Leases, which became effective on 1 January 2019. The most significant change for Wood is the accounting for property leases. Rental charges that were previously recorded in operating costs in respect of these leases are now recognised with depreciation and an interest charge. We have chosen to apply the modified retrospective approach on adoption of IFRS 16 and, using this approach, there is no restatement of 2018 comparatives in 2019. The movements between 2019 metrics and 2018 comparatives that have not been restated are shown as not applicable (n/a).
3. The adoption of IFRS 16 increases 2019 adjusted EBITDA by $151m. A lease liability of $374m is recorded on the balance sheet at 31 December 2019. All financing covenants are set on a frozen GAAP basis and are not impacted by the adoption of the standard.
4. Net debt excluding leases is total group borrowings, offset by cash and cash equivalents. Borrowings comprise loans drawn on the Group’s revolving credit facility, term loans, overdrafts and unsecured senior loan notes issued in the US private placement market. Borrowings do not include obligations relating to leases. Cash and cash equivalents include cash at bank and in hand and short term bank deposits. Borrowings, cash and cash equivalents contained within assets classified as held for sale are also included in net debt. Net debt excluding leases is presented as it is closely aligned to the measure used in our financing covenants.
5. Order book comprises revenue that is supported by a signed contract or written purchase order for work secured under a single contract award or frame agreements. Work under multi-year agreements is recognised in order book according to anticipated activity supported by purchase orders, client plans or management estimates. Where contracts have optional extension periods, only the confirmed term is included. Order book disclosure is aligned with the IFRS definition of revenue and does not include Wood’s proportional share of joint venture order book. Order book at 31 December 2019 excludes the order book of the nuclear and industrial services businesses as well as the T&T and AF-W power machinery businesses disposed in 2019. Order book is presented as an indicator of the visibility of future revenue.
6. The net debt: adjusted EBITDA ratio is calculated on the existing basis prior to the adoption of IFRS 16 in 2019 and is based on net debt excluding leases. References to the ratio on a proforma basis deduct the proceeds from the disposal of the nuclear and industrial services businesses of $450m from net debt and also deducts from adjusted EBITDA the 2019 adjusted EBITDA attributable to those businesses of $49m. The proforma basis is considered to be a useful additional indication of the underlying financial leverage in the business.
7. Company compiled, publicly available consensus comprises 10 analysts who have published estimates since our January 2020 trading update and includes forecasts that reflect both changes to our reporting metrics and the impact of IFRS 16. Credit Suisse, Exane BNP Paribas, Canaccord Genuity, Goldman Sachs, Bank of America Merrill Lynch, Morgan Stanley, Citigroup, Kepler Cheuvreux, Numis and HSBC.

Consensus 2019 adjusted EBITDA is $854m (range: $847m-$860m), consensus operating profit (pre-exceptional items) is $426m (range: $382m-$496m) and consensus AEPS is 47.0c (range: 40.0c-51.9c).

Consensus 2020 adjusted EBITDA is $895m (range: $854m-$925m), consensus operating profit (pre-exceptional items) is $475m (range: $440m-$511m) and consensus AEPS is 55.1c (range: 51.8c-58.2c). It should be noted that the impact of the disposal of the industrial services business announced in February is not fully reflected in 2020 consensus.
Segmental review
Asset Solutions Americas

Revenue was up on 2018, benefitting from increased capital projects activity in midstream and downstream & chemicals, which was partly offset by lower activity in renewables/other energy.

<table>
<thead>
<tr>
<th>% of Revenue:</th>
</tr>
</thead>
<tbody>
<tr>
<td>AS Americas</td>
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<tr>
<td>Markets:</td>
</tr>
<tr>
<td>c5%</td>
</tr>
<tr>
<td>c20%</td>
</tr>
<tr>
<td>c30%</td>
</tr>
<tr>
<td>Energy: c95%</td>
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<tr>
<td>Upstream/midstream c45%</td>
</tr>
<tr>
<td>Downstream &amp; chemicals c30%</td>
</tr>
<tr>
<td>Other energy c20%</td>
</tr>
<tr>
<td>Built environment: c5%</td>
</tr>
</tbody>
</table>

Adjusted EBITDA of $238m includes a $39m impact from the adoption of IFRS 16. Adjusted EBITDA on a like for like basis was down 12%. Strong earnings growth in downstream & chemicals capital projects and the benefit of final close out on a number of projects was more than offset by cost overruns of $53m and a slowdown in activity in US shale in H2.

Outlook
Order book is $2.5bn with c60% of 2020 revenue secured. Order book is down 15% compared to December 2018 reflecting the work off of larger downstream & chemicals capital projects and the application of our more measured risk appetite on new bids. Our existing forecasts, which do not reflect the impacts of Covid-19, the recent fall in oil price and actions we will take to mitigate, anticipate capital discipline remaining evident in the Americas across onshore, midstream and offshore. Activity in downstream & chemicals is expected to remain robust while the outlook for solar and wind is positive. Margin improvement initiatives including our focus on improved execution to address cost overruns experienced in 2019, will benefit adjusted EBITDA.

<table>
<thead>
<tr>
<th>Revenue¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3,894m</td>
</tr>
<tr>
<td>(2018: $3,668m) ▲ 6.2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Adjusted EBITDA¹²</th>
</tr>
</thead>
<tbody>
<tr>
<td>$238m</td>
</tr>
<tr>
<td>(2018: $227m) movement: n/a</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Adjusted EBITDA margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1%</td>
</tr>
<tr>
<td>(2018: 6.2%)</td>
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</table>

<table>
<thead>
<tr>
<th>Adjusted EBITDA (on a like for like basis)³</th>
</tr>
</thead>
<tbody>
<tr>
<td>$199m</td>
</tr>
<tr>
<td>(2018: $227m) ▼ 12.3%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Adjusted EBITDA margin (on a like for like basis)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1%</td>
</tr>
<tr>
<td>(2018: 6.2%) ▼ 1.1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>People</th>
</tr>
</thead>
<tbody>
<tr>
<td>16,300</td>
</tr>
<tr>
<td>(2018: 16,900) ▼ 3.6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Order book²</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,468m</td>
</tr>
<tr>
<td>(2018: $2,915m) ▼ 15.3%</td>
</tr>
</tbody>
</table>
Asset Solutions Europe, Africa, Asia & Australia

Revenue was down around 4%. We saw growth in operations solutions work in Asia Pacific and the Middle East, and relatively robust activity in Europe. This was offset by lower procurement revenues in capital projects.

Adjusted EBITDA of $353m includes a $59m impact from the adoption of IFRS 16. Strong growth in adjusted EBITDA on a like for like basis of 14% reflects excellent execution across the portfolio and growth in operations work in Asia Pacific and the Middle East. Capital projects remained robust, with reduced levels of low margin procurement activity contributing to higher achieved margins. Adjusted EBITDA on a like for like basis in Turbine Joint ventures also improved.

Outlook
Order book of $3.7bn excludes the contribution from the industrial services business disposed in February 2020. Around 60% of 2020 revenue is secured. Order book reflects work off in operations solutions work in the Middle East, offset by new downstream & chemicals project awards in Asia Pacific. The industrial services business, disposed in Q1 2020, generated c$175m revenue and contributed adjusted EBITDA (including IFRS 16) of c$15m in 2019.

Our existing forecasts, which do not reflect the impacts of Covid-19, the recent fall in oil price and actions we will take to mitigate, anticipate increased activity in 2020 led by capital projects; driven by early stage FEED work and increased downstream & chemicals work in Asia Pacific. We also expect increased operations activity in the Middle East with clients including Exxon and BP, and also in the UK as upstream spending increases from low levels.

Markets:
- c5% Energy: c95%
- c10% Upstream/midstream c55%
- c30% Downstream & chemicals c30%
- c5% Other energy c10%
- c0.5% Built environment: c5%

% of Revenue:
- ASEAAA c30%
- c30%
- c55%
- c0.5%
- c40%

Revenue:
- $3,148m
  - (2018: $3,283m) ▼ 4.1%

Adjusted EBITDA:
- $353m
  - (2018: $258m) movement: n/a

Adjusted EBITDA margin:
- 11.2%
  - (2018: 79%) movement: n/a

Adjusted EBITDA (on a like for like basis):
- $294m
  - (2018: $258m) ▲ 14.0%

Adjusted EBITDA margin (on a like for like basis):
- 9.3%
  - (2018: 79%) ▲ 1.4%

People:
- 23,900
  - (2018: 24,400) ▼ 2.0%

Order book:
- $3,709m
  - (2018: $3,729m) ▼ 0.5%
Technical Consulting Solutions

The formation of TCS in the fourth quarter brought together the capabilities of Specialist Technical Solutions (STS) and Environment and Infrastructure Solutions (E&IS) into a more efficient global and industry leading consulting offering.

Revenue in E&IS was in line with 2018. In STS, revenue was down on 2018 reflecting lower volumes in the automation service line.

Adjusted EBITDA includes a $53m impact from the adoption of IFRS 16. Adjusted EBITDA margin on a like for like basis for TCS is up 0.6% on 2018, benefitting from improved execution in E&IS, margin improvement initiatives and changes in sales mix as the TCO automation contract rolls off.

Outlook

Order book of $1.6bn excludes the contribution to order book from the nuclear business disposed in March 2020 and TNT disposed in 2019. Around 55% of 2020 revenue is secured. Order book is down 9% on prior year reflecting the work off of the TCO automation contract and a number of larger contracts in E&IS. The nuclear business, disposed in March 2020, generated revenue of c$300m and contributed adjusted EBITDA (including IFRS 16) of c$30m in 2019.

Whilst our existing forecasts do not reflect the impacts of Covid-19, the recent fall in oil price and actions we will take to mitigate, TCS has a broad end market exposure with only c15% in upstream/midstream oil and gas. Existing forecasts anticipate the impact of the change in sales mix in automation towards lower volume higher margin work as the TCO project rolls off and the benefit of margin improvement initiatives including synergies from the formation of TCS.

Investment Services

A number of legacy AFW activities and liabilities are managed in Investment Services including activities of the Industrial Power and Machinery business. Investment Services generated revenue of $69m (2018: $150m) and adjusted EBITDA of $36m (2018: $36m). On a like for like basis, revenue was $67m (2018: $136m). Adjusted EBITDA on a like for like basis was $36m (2018: $17m), which includes the close out of a number of legacy liabilities.
Financial review

"Financial performance in 2019 reflects earnings growth, margin improvement and strong cash generation."

Trading performance
Trading performance is presented based on the basis used by management to run the business with adjusted EBITDA including the contribution from joint ventures. A reconciliation of operating profit to adjusted EBITDA is included in note 1 to the financial statements.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>9,890.4</td>
<td>10,014.4</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>855.4</td>
<td>693.8</td>
</tr>
<tr>
<td>Adjusted EBITDA margin %</td>
<td>8.6%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Depreciation (pre-IFRS '16)</td>
<td>(53.6)</td>
<td>(63.9)</td>
</tr>
<tr>
<td>Depreciation (IFRS '16)</td>
<td>(128.4)</td>
<td>-</td>
</tr>
<tr>
<td>Amortisation - software and system development</td>
<td>(99.5)</td>
<td>(84.3)</td>
</tr>
<tr>
<td>Amortisation - intangible assets from acquisitions</td>
<td>(144.2)</td>
<td>(164.5)</td>
</tr>
<tr>
<td>Adjusted EBIT</td>
<td>429.7</td>
<td>381.1</td>
</tr>
<tr>
<td>Tax and interest charges on joint ventures included within operating profit but not in adjusted EBITDA</td>
<td>(18.7)</td>
<td>(24.5)</td>
</tr>
<tr>
<td>Operating profit before exceptional items</td>
<td>411.0</td>
<td>356.6</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>(107.6)</td>
<td>(191.3)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>303.4</td>
<td>165.3</td>
</tr>
<tr>
<td>Net finance expense</td>
<td>(126.5)</td>
<td>(111.8)</td>
</tr>
<tr>
<td>IFRS 16 interest charge</td>
<td>(28.2)</td>
<td>-</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>148.7</td>
<td>53.5</td>
</tr>
<tr>
<td>Taxation</td>
<td>(75.9)</td>
<td>(61.1)</td>
</tr>
<tr>
<td>Profit/(loss) for the period</td>
<td>72.8</td>
<td>(7.6)</td>
</tr>
<tr>
<td>Basic EPS (cents)</td>
<td>10.7c</td>
<td>(1.3)c</td>
</tr>
<tr>
<td>Adjusted diluted EPS (cents)</td>
<td>46.0c</td>
<td>46.6c</td>
</tr>
</tbody>
</table>

In the table above depreciation, amortisation and exceptional items include the contribution from joint ventures.

The increase in adjusted EBITDA of $161.6m to $855.4m is largely the result of the transition to IFRS 16 on 1 January 2019, which has resulted in rental costs totalising $151.0m being replaced by depreciation expense of $128.4m and interest of $28.9m (of which $0.7m is reflected within tax and interest charges on joint ventures) and improved trading.

The review of our trading performance is contained within the Chief Executive review.

Amortisation
Total amortisation for 2019 of $243.7m (2018: $248.8m) includes $123.4m for Amec Foster Wheeler (AFW) (2018: $126.4m) and $20.8m (2018: $38.1m) of amortisation relating to intangible assets arising from prior year acquisitions. Amortisation in respect of software and development costs was $99.5m (2018: $84.3m) and this largely relates to engineering software and ERP system development. Included in the amortisation charge for the year above is $1.3m (2018: $2.5m) in respect of joint ventures.

Net finance expense and debt
Net finance expense is analysed below.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on bank borrowings</td>
<td>63.0</td>
<td>67.8</td>
</tr>
<tr>
<td>Interest on US Private Placement debt</td>
<td>28.5</td>
<td>14.1</td>
</tr>
<tr>
<td>Discounting relating to asbestos, deferred consideration and other liabilities</td>
<td>12.3</td>
<td>15.3</td>
</tr>
<tr>
<td>IFRS 16 Interest</td>
<td>28.2</td>
<td>-</td>
</tr>
<tr>
<td>Other interest, fees and charges</td>
<td>32.3</td>
<td>199</td>
</tr>
<tr>
<td>Total finance charges in respect of joint ventures</td>
<td>5.9</td>
<td>8.1</td>
</tr>
<tr>
<td>Total finance expense including joint ventures</td>
<td>170.2</td>
<td>125.2</td>
</tr>
<tr>
<td>Finance income relating to defined benefit pension schemes</td>
<td>(5.7)</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Other finance income</td>
<td>(3.9)</td>
<td>(4.8)</td>
</tr>
<tr>
<td>Total finance expense including joint ventures</td>
<td>160.6</td>
<td>119.9</td>
</tr>
</tbody>
</table>

Interest cover was 5.6 times (2018: 6.2 times).

At 31 December 2019 total bank borrowings amounted to $997.6m, including term loans of $397.6m and $600.0m of drawdowns under the Group’s $1.75bn Revolving Credit Facility. A further $235.8m of funding is available under the Group’s other short-term facilities. In total the Group has undrawn facilities of $1,386.0m at 31 December. $297.6m of the term loan is repayable in October 2020 and $100.0m in May 2022. The $297.6m term loan repayable in October 2020 was repaid in February 2020 following the proceeds raised by the disposal of the industrial services business and the receipt of the new bilateral loan facilities. These subsequent events are disclosed in note 36 to the financial statements.
The Group also has $879.9m of unsecured loan notes issued in the US private placement market which mature at varying dates between 2021 and 2031. Interest is payable at an average rate of 6.31% on these loan notes.

Following transition to IFRS 16, the Group recognised interest costs of $28.2m in 2019, which relates to the unwinding of discount on the IFRS 16 lease liability.

Net debt excluding leases to adjusted EBITDA (excluding impact of IFRS 16) at 31 December was 2.0 times (2018: 2.2 times) against our covenant of 3.5 times. The Group remains committed to achieving its targeted leverage policy of net debt to adjusted EBITDA of 1.5 times.

**Exceptional items**

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss on divestment of business</td>
<td>9.4</td>
</tr>
<tr>
<td>Redundancy, restructuring and integration costs</td>
<td>41.7</td>
</tr>
<tr>
<td>Arbitration settlement provision</td>
<td>-0.4</td>
</tr>
<tr>
<td>EthosEnergy impairment and other write offs</td>
<td>-5.1</td>
</tr>
<tr>
<td>Investigation support costs and provisions</td>
<td>56.5</td>
</tr>
<tr>
<td>Guaranteed Minimum Pension equalisation</td>
<td>-0.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>107.6</strong></td>
</tr>
</tbody>
</table>

Tax on exceptional items | 19.5 (8.5%)

**Continuing exceptional items, net of tax** | 127.1 182.8

In 2019, the Group disposed of Terra Nova Technologies and the net loss on sale (after allocating goodwill) of $9.4m has been included in exceptional items.

Redundancy, restructuring and integration costs of $41.7m (2018: $71.7m) have been incurred during the year. The total includes $11.8m (2018: $41.8m) of integration costs in relation to the acquisition of AFW and are incurred in order to generate efficiency savings with the enlarged business and are expected to largely cease in 2020. In addition, $26.1m (2018: $23.8m) of redundancy and restructuring costs were incurred, mainly in relation to the formation of TCS and $5.8m (2018: $6.1m) of costs relating to onerous property contracts, of which $2.8m has been recognised as an impairment charge against the IFRS 16 right of use asset. The total also includes $1.3m of charges related to joint ventures and a $3.3m gain with respect to the assignation of a lease contract to an external party.

Investigation support costs of $10.5m (2018: $26.3m) have been incurred during the year in relation to ongoing investigations by the US Securities and Exchange Commission (SEC), the US Department of Justice (DOJ) and UK Serious Fraud Office (SFO). During the year discussions concerning possible resolutions of the investigations by the authorities in the US, Brazil and Scotland have progressed to the point where the Group believes that it is likely to be able to settle the relevant matters with these authorities at an aggregate cost of $46.0m, which is reflected as a provision in the financial statements as described in note 20. As set out in note 33, AFW made a disclosure to the SFO about these matters and, since April 2017, in connection with the SFO’s investigation into Unaoil, the SFO has required AFW to produce information relating to any relationship of AFW with Unaoil and certain other third parties. As it is not possible to make a reliable estimate of the liability that may arise, no provision has been made for this element of the investigation. See note 33 for full details.

An exceptional tax charge of $19.5m has been recorded in 2019 reflecting the write off of irrecoverable tax balances relating to joint ventures.

**Taxation**

The effective tax rate reflects the rate of tax applicable in the jurisdictions in which the Group operates and is adjusted for permanent differences between accounting and taxable profit and the recognition of deferred tax assets. Key adjustments impacting on the rate in 2019 are restrictions on the deductibility of interest in the UK and branch and withholding tax in excess of double tax relief, offset by increased deferred tax asset recognition, primarily in the US, and the release of provisions in relation to uncertain tax positions. Despite challenges in relation to interest deductibility and the US legislation around base erosion, we currently anticipate a rate of 23-24% in 2020.

In addition to the effective tax rate, the total tax charge in the income statement reflects the impact of exceptional items and amortisation which by their nature tend to be expenses that are more likely to be not deductible than those incurred in ongoing trading profits. The income statement tax charge excludes tax in relation to joint ventures.

**Earnings per share (EPS)**

The calculation of basic earnings per share is based on the earnings attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the year excluding shares held by the Group’s employee share trusts. For the calculation of adjusted diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of dilutive potential ordinary shares. Adjusted diluted earnings per share is disclosed to show the results excluding the impact of exceptional items and amortisation related to acquisitions, net of tax.
Basic EPS for the year was 10.7 cents per share (2018: (1.3) cents). The profit for the year attributable to owners of the parent of $72.0m is higher than the $8.9m loss reported in 2018 due to increased operating profit partially offset by higher interest costs.

Dividend
The Wood progressive dividend policy is a key element of our investment case. Progressive means that the interim and final dividend will increase each year in absolute terms, taking into account future cash flows and earnings. Given that the rate of dividend increase in recent years has been higher than the growth in profit, it is anticipated that the rate of growth of dividend in the medium term will be modest and lower than the rate of growth of profits.

The recommendation to pay a dividend is discussed at the main Board twice a year and in March 2020 the Board recommended a final dividend of 23.9 cents per share, which makes a total distribution for the year of 35.3 cents, an increase of 1%. The final dividend will be paid on 15 May 2020 to all shareholders on the register at the close of business on 17 April 2020. When determining the level of dividend the Board considers the amount of currently distributable reserves as well as the Group’s ability to generate cash, the optimal leverage, planned disposals or acquisitions, commitments to other stakeholders such as lenders, pension schemes and tax authorities, and the size of non-operating outflows such as restructuring costs or legal settlements.

At 31 December the Group’s parent company John Wood Group PLC has distributable reserves which would be sufficient to cover the 2019 full year dividend approximately 1.7 times. As previously stated our preferred level of leverage is a net debt to adjusted EBITDA of around 1.5 times. At 31 December 2019 our actual net debt to adjusted EBITDA was 2.0 times.

The key risks associated with the dividend are the ability of the group to continue to generate sufficient cash which could be negatively impacted by the crystallisation of one or more of the Group’s principal risks. To the extent that these result in a material unexpected cash outflow, and take the Group to an unacceptable level of leverage, the Board may decide to reduce or suspend the dividend.

Cash flow and net debt
The cash flow for the year is set out below:

<table>
<thead>
<tr>
<th>Cash flow and net debt</th>
<th>Total cash flow</th>
<th>Leases</th>
<th>Leases excluding leases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 $m</td>
<td>2019 $m</td>
<td>2019 $m</td>
<td></td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>855.4</td>
<td>151.0</td>
<td>704.4</td>
</tr>
<tr>
<td>Less JV EBITDA and add back JV dividends</td>
<td>(37.7)</td>
<td>(6.1)</td>
<td>(31.6)</td>
</tr>
<tr>
<td>Decrease in provisions</td>
<td>(216.1)</td>
<td>-</td>
<td>(216.1)</td>
</tr>
<tr>
<td>Other</td>
<td>3.9</td>
<td>-</td>
<td>3.9</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>605.5</td>
<td>144.9</td>
<td>460.6</td>
</tr>
<tr>
<td>Pre working capital</td>
<td></td>
<td></td>
<td>476.1</td>
</tr>
<tr>
<td>Working capital movements</td>
<td>192.8</td>
<td>(11.5)</td>
<td>204.3</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>746.2</td>
<td>155.7</td>
<td>590.5</td>
</tr>
<tr>
<td>Capex and intangibles</td>
<td>(127.2)</td>
<td>-</td>
<td>(127.2)</td>
</tr>
<tr>
<td>Tax, interest, dividends and other</td>
<td>(60.7)</td>
<td>10.0</td>
<td>(417.2)</td>
</tr>
<tr>
<td>Decrease in cash flow</td>
<td>118.9</td>
<td>29.7</td>
<td>89.2</td>
</tr>
<tr>
<td>Opening net debt</td>
<td>(2,117.2)</td>
<td>(604.0)</td>
<td>(1,513.2)</td>
</tr>
<tr>
<td>Leases</td>
<td>-</td>
<td>-</td>
<td>35.0</td>
</tr>
<tr>
<td>Closing net debt</td>
<td>(1,998.3)</td>
<td>(574.3)</td>
<td>(1,424.0)</td>
</tr>
</tbody>
</table>

Closing net debt at 31 December 2019 including leases was $1,998.3m (2018: $1,548.2m). The $604.0m opening lease liability included in the table above, includes the lease liability of $569.0m recognised on transition to IFRS 16 and existing finance leases of $35.0m. Net debt excluding leases at 31 December 2019 was $1,424.0m (2018: $1,513.2m) which excluded the impact of the adoption of IFRS 16.

Cash generated from operations pre-working capital increased by $129.4m to $605.5m primarily as a result of the transition to IFRS 16, whereby rental cash flows have now been reclassified to financing activities and improved trading, partially offset by an increase in provisions movements.

Working capital movements reduced by $98.4m to $192.8m primarily due to increased operating profit partially offset by higher interest costs.

Working capital movements reduced by $98.4m to $192.8m primarily as a result of the transition to IFRS 16, whereby rental cash flows have now been reclassified to financing activities and improved trading, partially offset by an increase in provisions movements.
Payments for capex and intangible assets were $127.2m (2018: $87.5m) and included software licences and expenditure on ERP systems across the Group. The increase is mainly due to additional software licenses that were purchased by the Group and the timing of certain capex payments.

Cash from divestments of $43.1m mainly relates to the disposal of the Group’s interests in TNT.

Cash conversion, calculated as cash generated from operations as a percentage of adjusted EBITDA (less JV EBITDA) reduced slightly to 96% (2018: 102%).

Sources and uses of cash
The increase in cash generated from operations in 2019 to $766.2m from $625.3m was primarily due to the transition to IFRS 16, whereby the cash outflows associated with rental costs are now shown in financing activities, and improved trading. The Group also had lower cash outflows associated with exceptional items as the integration costs associated with the AFW reduced in 2019. These favourable variances were partially offset by a lower working capital inflow in 2019 compared with 2018. There are a number of risks associated with net cash flow from operations, including:

- Market risks, such as variability in commodity prices which impacts on activities by our clients;
- Project risks, which include delays and disputes which can influence our ability to collect cash from our clients; and
- Other risks, including the actions of governments and other third parties which can affect our ability to service our increasingly global client base.

The Group remain committed to a strong balance sheet. Our uses of cash include:

- Servicing and repayment of our debt facilities;
- Maintenance of our progressive dividend policy;
- Organic capex; and
- Acquisitions.

Summary balance sheet

<table>
<thead>
<tr>
<th></th>
<th>Dec 2019 $m</th>
<th>Dec 2018 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill and intangible assets</td>
<td>6,299.0</td>
<td>6,656.7</td>
</tr>
<tr>
<td>Right of use assets</td>
<td>417.9</td>
<td>-</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>964.8</td>
<td>1,063.9</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>2,306.0</td>
<td>2,555.7</td>
</tr>
<tr>
<td>Net held for sale assets and liabilities</td>
<td>412.9</td>
<td>31.6</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(2,619.6)</td>
<td>(2,526.1)</td>
</tr>
<tr>
<td>Net debt excluding leases</td>
<td>(1,424.0)</td>
<td>(1,513.2)</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>(574.3)</td>
<td>(35.0)</td>
</tr>
<tr>
<td>Provisions</td>
<td>(792.2)</td>
<td>(991.2)</td>
</tr>
<tr>
<td>Other net liabilities</td>
<td>(544.9)</td>
<td>(632.6)</td>
</tr>
<tr>
<td>Net assets</td>
<td>4,445.6</td>
<td>4,609.8</td>
</tr>
</tbody>
</table>

Net current (liabilities)/assets (242.0) 162.6

At 31 December 2019, the Group had net current liabilities of $242.0m and this is largely due to term loans of $297.6m falling due in October 2020 and which are, therefore, classed as current liabilities. In February 2020, the Group completed the disposal of the industrial services business which reduced short term debt by $111.0m and secured additional bilateral loan facilities of $200.0m which mature between September 2021 and May 2022.

These subsequent events are disclosed in note 36 to the financial statements and confirmed that the net current liability position shown above was a temporary situation.

Goodwill and intangible assets include $4,645.0m (2018: $4,766.7m) of goodwill and intangibles relating to the acquisition of AFW. This has decreased during the year primarily because of the classification of the nuclear business as held for sale during 2019 and the amortisation of intangible assets.

Right of use assets and lease liabilities were recognised as a result of the adoption of IFRS 16 and amounted to $617.9m and $540.9m respectively. Lease liabilities also include $33.4m of leases previously classified as finance leases.

The reduction in trade receivables is due to improved cash collection during the year and reduced activity in December 2019 compared with December 2018.

Net held for sale assets and liabilities includes $518.9m of assets held for sale (including cash of $54.9m) and current liabilities include $106.0m of liabilities held for sale in respect of the nuclear and industrial services businesses and a non-core joint venture. The Group completed the disposals of the nuclear business in March 2020 and the industrial services business in February 2020. The disposal of the non-core joint venture is expected to happen during the first half of 2020.

Trade and other payables has increased by $93.5m since 2018 and this is partly due to an increase in gross amounts due to customers of $73m which has increased due to a significant advance received in respect of a major contract which was ongoing during the year.

The provisions balance reduced by $199.0m to $792.2m. The reduction in provisions was driven by utilisation and releases totalling $282.6m and was offset by an income statement charge of $106.6m. Provisions utilised during the year amounted to $181.5m, which mainly related to asbestos and Aegis. Provisions released to the income statement amounted to $101.1m and was mainly related to a number of historic project related provisions. The income statement charge of $106.6m mainly related to investigations by the authorities in the US, Brazil and Scotland and have progressed to the point where the Group believes that it is likely to be able to settle the relevant matters with these authorities at an aggregate cost of $46.0m and this is reflected as a provision at 31 December 2019.

Achieving resolution of the relevant matters will involve negotiations with five authorities in three separate jurisdictions, and accordingly there is no certainty that resolution will be reached with any or all of those authorities or that the aggregate settlement amount will not exceed the amount of the provision. The expected movement related to provisions in 2020 is approximately $100m.

Contract assets and liabilities

<table>
<thead>
<tr>
<th></th>
<th>Dec 2019 $m</th>
<th>Dec 2018 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>943.5</td>
<td>1,287.1</td>
</tr>
<tr>
<td>Amounts due from customers</td>
<td>962.8</td>
<td>935.1</td>
</tr>
<tr>
<td>Amounts due to customers</td>
<td>(480.5)</td>
<td>(407.5)</td>
</tr>
<tr>
<td>Total</td>
<td>1,425.8</td>
<td>1,814.7</td>
</tr>
</tbody>
</table>

The reduction in trade receivables is due to improved cash collection during the year and reduced activity in December 2019 compared with December 2018. The movement in gross amounts due to customers is mainly explained by a significant advance received in respect of a major contract which was ongoing during the year.
Transaction price allocated to the remaining performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 was as follows:

<table>
<thead>
<tr>
<th>$m</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>3,791.9</td>
<td>2,300.0</td>
<td>6,091.9</td>
</tr>
</tbody>
</table>

The order book reported on page 01 of $7.9bn includes contracted work under multi-year arrangements and is recognised according to anticipated activity supported by client activity and management estimates. The $6.1bn reported above has been adjusted to reflect contracted work supported by a contract and approved purchase order.

Asbestos related obligations

Largely as a result of the acquisition of AFW, the Group is subject to claims by individuals who allege that they have suffered personal injury from exposure to asbestos primarily in connection with equipment allegedly manufactured by certain subsidiaries during the 1970s or earlier. The overwhelming majority of claims that have been made and are expected to be made are in the United States. At 31 December 2019, the Group has net asbestos related liabilities of $379.6m (2018: $398.1m).

The Group expects to have net cash outflows of around $36m as a result of asbestos liability indemnity and defence payments in excess of insurance proceeds during 2020. The estimate assumes no additional settlements with insurance companies and no elections to fund additional payments. The Group has worked with its independent asbestos valuation experts to estimate the amount of asbestos related indemnity and defence costs at each year end based on a forecast to 2050.

The Group’s adjusted EBITDA is stated after deducting costs relating to asbestos including administration costs, movements in the liability as a result of changes in assumptions and changes in the discount rate.

Full details of asbestos liabilities are provided in note 20 to the Group financial statements.

Pensions

The Group operates a number of defined benefit pension schemes in the UK and US and a number of defined contribution plans. At 31 December 2019, the schemes had a net surplus of $241.0m (2018: $242.7m). In assessing the potential liabilities, judgement is required to determine the assumptions for inflation, discount rate and member longevity. The assumptions at 31 December 2019 showed a reduction in the discount rate which results in higher scheme liabilities and lower RPI inflation rates. Full details of pension assets and liabilities are provided in note 32 to the Group financial statements.

At 31 December 2018, the largest schemes were the Amec Foster Wheeler Pension Plan (‘AFW Pension Plan’) and the John Wood Group PLC Retirement Benefit Scheme (‘JWG PLC RBS’) in the UK and the Foster Wheeler Inc SERP and the Foster Wheeler Inc Pension Plan for Certain Employees (FW Inc PPCE) in the US. In March 2019, the JWG PLC RBS merged with the AFW Pension Plan (now known as the Wood Pension Plan (‘WPP’)).

Contingent liabilities

Details of the Group’s contingent liabilities are set out in note 33 to the Group financial statements.

Divestments

During 2019, the Group disposed of its investment in TNT. TNT was part of the STS business unit (which is now part of the TCS business unit) and the loss on the disposal is disclosed in exceptional items.

At 31 December 2019, the Group has treated the assets and liabilities of its nuclear and industrial services businesses as held for sale as these businesses were sold in the first quarter of 2020. In addition, the Group’s investment in a non-core joint venture is included in assets held for sale as the Group expects to dispose of its investment in the first half of 2020.

New accounting standards

The new accounting standard on leases, IFRS 16 became effective on 1 January 2019. Under IFRS 16, the Group is required to recognise ‘right of use’ assets and lease liabilities in respect of its operating leases for property, vehicles, plant and equipment. The application of IFRS 16 has resulted in an increased depreciation charge and higher financing costs in the income statement with an overall increase in operating profit.

A summary of the impact of IFRS 16 on the financial statements is set out below:

<table>
<thead>
<tr>
<th>On transition</th>
<th>$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Right of use asset recognised</td>
<td>650.6</td>
</tr>
<tr>
<td>Deferred tax asset recognised</td>
<td>5.2</td>
</tr>
<tr>
<td>Lease liabilities recognised</td>
<td>(569.0)</td>
</tr>
<tr>
<td>Onerous lease provisions adjustment</td>
<td>17.7</td>
</tr>
<tr>
<td>Onerous lease liabilities</td>
<td>61.2</td>
</tr>
<tr>
<td>(included within other non-current liabilities)</td>
<td></td>
</tr>
<tr>
<td>Trade and other payables – accruals</td>
<td>8.3</td>
</tr>
<tr>
<td>Trade and other receivables – prepayments</td>
<td>(7.9)</td>
</tr>
</tbody>
</table>

Opening reduction in retained earnings (33.9)

2019 income statement impact
(excluding joint ventures)

Reduction in operating lease costs | 144.9  |
Increased depreciation | (123.0) |
Increased interest expense | (28.2) |
Reduced interest on discounting of onerous lease provision | 2.2   |

Reduction in profit before tax (4.1)
Building a sustainable business

Our strategy is aligned to the rapid evolution to a healthier planet and sustainability is embedded at the heart of what we do in order to secure our long-term future as a successful business.

Our culture, underpinned by our vision, values and behaviours, ensures that economic, social and environmental considerations are built into our daily decision making in order to create sustainable value for our clients, employees, society and the environment.

Directors’ duties in accordance with s172(1) Companies Act 2006
Our approach to performance by the directors of their statutory duties and our application of s172(1) Companies Act 2006 can be found throughout this annual report:

<table>
<thead>
<tr>
<th>Statement of compliance</th>
<th>54</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engagement with:</td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>08, 38 to 39, 52</td>
</tr>
<tr>
<td>Clients</td>
<td>08, 52</td>
</tr>
<tr>
<td>Investors &amp; Lenders</td>
<td>09, 60</td>
</tr>
<tr>
<td>Pensions</td>
<td>10</td>
</tr>
<tr>
<td>Community</td>
<td>10, 42 to 44</td>
</tr>
<tr>
<td>Suppliers</td>
<td>10, 52</td>
</tr>
<tr>
<td>Environment</td>
<td>09, 32 to 36</td>
</tr>
<tr>
<td>Principal decisions</td>
<td>11</td>
</tr>
</tbody>
</table>

Non-financial information disclosures
The information required to be contained in the non-financial reporting statement under section 414CA and 414CB Companies Act 2006 is contained in the strategic report as set out in the table below:

- Environmental matters: 32 to 36
- Employees: 38 to 41
- Human rights: 40
- Social matters: 42 to 44
- Anti-corruption & anti-bribery: 30 to 31

Read our 2019 Sustainability Report at: woodplc.com/sustainability

For more information see pages 27 to 31

Health, safety, security & ethics

Environment
For more information see pages 32 to 37

Society
For more information see pages 38 to 44
Health, safety, security & ethics

Our relentless focus on safety remains our top priority. Our people are our most valuable resource and we are committed to making sure everyone goes home safely at the end of every working day.

Implementing the Safety Shield

The Safety Shield builds on our values of care, commitment and courage and asks our employees to have the commitment to prepare correctly, the care to engage with the safety requirements of a task and the courage to intervene if they see something unsafe. Rolled out in Q1 2019, the Safety Shield is a concept that is unique to Wood that combines our existing safety programmes into one standard that is simple, understandable across countries and cultures, and aligns to client and industry standards.

Our work in 2019 focused on embedding the Safety Shield across the business and this started with the global annual ‘Safe Start’ programme; designed to welcome our people back to work with a dedicated focus on safety. The programme starts in January and continues throughout the year and is our opportunity to focus on key areas such as reinforcing our Life Saving Rules and focusing on our critical risks. It is a multimedia based campaign including town hall meetings, tool box talks and e-learning opportunities and is designed to encompass all employees across our business.

Through our safety management systems we identified a need to focus more effort on training our frontline staff to use the tools within the Safety Shield, such as Life Saving Rules, hazard & risk principles and change management processes, to enable them to make effective interventions.

In response, we developed a training programme which was deployed in Q2 2019 through six train-the-trainer events held across the globe.

We now have around 100 ‘Safety Shield for Supervisors’ course trainers leading courses within their business unit and geographical areas. We will continue the roll out of this training into 2020. In Q4 2019 we also developed a ‘Safety Shield for everyone’ computer based training course for roll out Q1 2020. The course builds on the toolbox talks and town hall events held during the year and is designed to reinforce the responsibility for safety of everyone at Wood, build a foundation of HSSE understanding and align global HSSE expectations.

Courage to Intervene

Daniel Frakes, a field technician in our Americas business was the winner of our 2019 Safety Shield Inspire Award. Daniel took quick action to save the life of a contractor’s employee while observing some trench work. He spoke up and convinced the contractor to move its employee out of the area when he spotted cracks indicating an impending collapse. Just moments later, a large section of concrete fell into the trench. Had it not been for Daniel’s intervention, the individual could have been seriously injured or killed. Daniel’s conduct demonstrated both our Safety Shield and values in action. It takes courage to speak up and intervene when things look wrong and this is a safety behaviour that is essential to keeping Wood’s projects safe.

This year we launched our Inspire Awards and challenged our business to recognise and reward inspiring behaviours that demonstrate our vision, values and behaviours in action. The Safety Shield Inspire Award generated 186 entries from across the business showcasing examples of exceptional safety performance and we used these inspiring stories in our safety communications across the business. The winning entry was Daniel Frakes whose courage to intervene and stop a job saved a contractor from serious, and potentially fatal, harm. To recognise and celebrate great safety practice more regularly throughout the year we have also introduced a monthly Safety Shield reward programme in Q3 2019. Each winner is recognised by their senior management, is entered onto a roll of honour and receives a Safety Shield winner pin. The recognition of safety best practice within our workforce plays an important role in developing and sustaining our safety culture across Wood.

In 2019 we built on the consistent Health, Safety, Security and Environment Assurance (HSSEA) framework developed in 2018. Our core objective has been to embed our new suite of tools, processes and procedures across our business to further strengthen our HSSEA culture.

Implementation of our Safety Shield initiative, rolled out in Q1, was central to our 2019 plan together with a focus on further aligning critical risks with industry standards and best practices.

Our specific objectives in 2019 were to:
- Implement the Safety Shield
- Focus on critical risks
- Streamline HSSEA Management Systems
- Drive robust assurance

The Safety, Assurance and Business Ethics Committee (SABE) is responsible for overseeing Wood’s management of health, safety, security and environment (HSSE) and business ethics issues. This section of the report should be read in conjunction with the report from the SABE Chair on page 64.

In 2019 we continued to maintain a strong Health, Safety, Security and Environment (HSSE) framework developed in 2018. Our core objective has been to embed our new suite of tools, processes and procedures across our business to further strengthen our HSSEA culture.

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Focus on critical risks
Wood Life Saving Rules (LSRs) require workers to prepare and engage management system elements and behaviours designed to mitigate risks for commonly encountered hazards. These rules are a vital tool for managing critical risk and failure to obey Wood’s LSRs may result in termination of employment. In January 2019 we aligned the LSRs with the International Oil and Gas Producers (IOGP) nine refreshed LSRs which are used by a number of our clients and peers. While these were not substantially different to Wood’s rules, implementing the refreshed LSRs allowed our teams worldwide to reinforce the fundamental expectations of every Wood employee in terms of how we manage critical risks.

Through analysis of our recordable and high potential incidents over the last three years Wood has identified four critical risk areas aligned to our LSRs:
- Driving
- Dropped objects
- Working at height
- Energy isolation

These critical risks are those most commonly encountered across our business giving rise to high potential for near miss and serious injury. We have developed focused tools, training and educational packs designed to bring a more consistent approach to the way we manage these risks across Wood and we are taking actions to mitigate them.

We have been investing significantly in ‘In Vehicle Monitoring Systems’ (IVMS) in our Americas based fleet where we have the highest rates of driving related incidents and we are trialling technologies such as ground penetrating radar in our construction business where we have higher rates of underground pipe/cable strikes. We will continue to analyse performance against our critical risks throughout 2020. In particular our focus will be on assurance and continued leadership engagement and accountability for managing these risks.

Streamlining HSSEA Management System
Our management system is essential to safe and efficient delivery. We have streamlined our key management systems by retiring legacy systems and launching consistent Wood standards and programmes such as the Safety Shield, LSRs and our safety observation and reporting tools. Our ISO certifications have been consolidated from 17 service providers to a single global provider. The initial consolidation and 45001 certifications to the new global provider. The initial consolidation of our management system removed 10% of documents from our system that were either duplicate or non-value adding content. In addition a new and consistent action tracking system has been developed and went live at the end of 2019. This gives Wood full visibility of all assurance activities and the status of associated actions and has allowed decommissioning of over 40 assurance and action tracking systems across the business.

Driving robust assurance
In 2019, we continued to focus on bringing greater structure and discipline to project execution through the deployment of consistent assurance processes. This is essential in assuring the safety of our work and driving out potential errors and incidents in project delivery. During the year the Operations Assurance team carried out a risk-based schedule of assurance visits across the business conducting a total of 20 audits resulting in 170 actions. Improving project execution will be a key focus in 2020 and the assurance audits have generated learnings that Wood can use to achieve this.

Safety performance
During the year we saw an increase in the proportion of total manhours from field and craft operations which have greater exposure to hazard. Against this backdrop our performance remained in line with 2018 in terms of LWCF and TRCF. In addition we have reduced total injuries by 109 cases overall.

Our incident management system allows each business user to ‘deep dive’ into performance and analyse down to the project level enabling greater understanding behind the causes of incidents. Analysis of the information in our incident management system identified that the main root causes of incidents relate to risk management and risk assessment at the point of exposure to hazard at the work site. As a result we developed a specific risk management module in the Safety Shield for Supervisor course.

<table>
<thead>
<tr>
<th>Lost work case frequency (LWCF)</th>
<th>per 200,000 manhours</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 0.06</td>
<td>2016 0.06</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total recordable case frequency (TRCF)</th>
<th>per 200,000 manhours</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 0.28</td>
<td>2016 0.27</td>
</tr>
</tbody>
</table>
Focus on security

Wood operates in a number of countries with complex or challenging security risk environments.

Group Security form part of Group HSSEA and are responsible for providing both forward-looking strategic risk advice to leadership teams, as well as the security risk mitigation requirements for bids, travellers, offices or projects in areas where crime, terrorism or social and political instability concerns feature. Each Business Unit is partnered with a designated Security Director, who in turn is supported by a network of Regional Security Managers providing specific geographical expertise. Group Security receives external support from Control Risks and IHS Markit in the form of data and analytics to help inform the assessment of risks. In addition International SOS provides global physical, medical and security support to Wood employees while travelling. The team’s aim is to enable the business to operate safely all over the world and does so by focusing on four key areas: ongoing political risk monitoring; project and operational security advice, planning and assurance; travel security; and crisis management.

Having implemented a new travel management system last year, our focus in 2019 was on driving consistency and compliance with the new systems and processes, as well as increasing the availability of technology enabled tools to assist our employees while travelling. Our travel safety security programme received positive recognition in being shortlisted for the International Duty of Care Awards.

We continue to monitor our operational security risks, and in 2019 the application of our Security Risk Assessment Methodology has improved the consistency and standards of security at project sites globally. In 2020 we will enhance this with an assurance program to ensure compliance with our Group Security Standard. In addition, security considerations are now formally included in our bid processes meaning that security risks and mitigations are considered earlier in the tender process.

Crisis and incident management were also a key area of focus in 2019 to ensure the business is positioned to plan and respond to risks at strategic, operational and tactical levels. The Crisis & Emergency Management Director worked with the ELT to develop crisis management plans and with BU leadership teams to develop incident management plans. A number of training exercises were held to ensure familiarity with these plans amongst those key leaders and to test our responses. We also rolled out a family liaison training course which was developed in-house and delivered in Houston, Aberdeen, Abu Dhabi, Thailand and Singapore. The course provides training for those staff responsible for communicating with families affected by incidents at work and will continue to be delivered on a rolling basis into 2020.

In 2020 we will build upon achievements in 2019 through focus on four key areas: assuring compliance with key security processes; further development of Wood’s emergency management capability; development and implementation of a Business Continuity Standard, and establishing strong and visible leadership accountability for security in the Business Units.
Ethics & Compliance

Our commitment to sustaining a visible, continually improving ethical culture remained strong throughout 2019.

Leaders across the organisation play a key role in delivering Wood’s Ethics & Compliance (E&C) programme by emphasising ethical behaviour to our workforce and embedding Wood’s E&C policies and procedures into our operations. In 2019, operational leaders across the business sponsored campaigns to raise awareness of behavioural expectations.

The importance of doing the right thing is reinforced in our Code of Conduct which sets clear expectations for ethical business practices and guides employees how to respond if faced with ethical decisions. It also provides several “speak up resources” and encourages employees to report anything they feel does not reflect our values, our policies or the law. A number of E&C training and communication initiatives, including leadership webinars and face to face engagement sessions, both for targeted populations and the wider workforce, were used to further embed key concepts from the Code of Conduct, the importance of speaking up and Wood’s zero-tolerance policy on retaliation.

The Code of Conduct is supported by a suite of global E&C policies and procedures, available in multiple languages, covering the following:

- Anti-Bribery and Anti-Corruption
- Commercial Intermediaries
- Competition Law
- Conflicts of Interest
- Data Protection, including Breach Response
- Ethics Reporting and Anti-Retaliation
- Ethics Investigations
- Gifts and Hospitality
- Sanctions, Export Controls and Anti-Boycotts
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Compliance with the Code of Conduct and supporting policies and procedures is mandatory for all directors, officers and employees as well as contractors, consultants, representatives, intermediaries and agents retained by Wood. Any reports of non-compliance are investigated and appropriate action taken, up to and including termination of the business relationship.

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Our Code of Conduct: woodplc.com/ethics

Ethical culture

An Ethical Culture Survey was conducted with input gathered from a sampling of staff across the globe. When assessed against an industry benchmark maintained by the specialist survey provider, the results compared favourably for Wood with respect to observing misconduct and perceiving pressure and a positive perception of the behaviour of supervisors and co-workers. Opportunities for improvement include raising awareness of Wood’s non-retaliation policy and greater awareness of disciplinary action. The results of the survey will be used to inform future training and communication efforts.

Training

Our annual mandatory Code of Conduct computer-based training launched to approximately 43,000 office-based employees in 2019. The training was focused on IT security, our IT Acceptable Use Policy, and anti-bribery and anti-corruption. Approximately 14,000 site-based employees were required to receive face-to-face ethics training facilitated through group discussions. Site-based sessions focused on “own your signature” or record integrity, avoiding conflicts of interest and protecting client assets.

Code of Conduct training

43,000 employees covered by online training

We supplemented our annual training with risk-based training and communication efforts for targeted populations such as data privacy, managing confidential information, and E&C webinars tailored for senior leaders. Additionally, anti-harassment training was launched to approximately 9,000 US-based employees in 2019 and further anti-harassment training is planned for 2020 in other geographies. Our training and communications efforts are a fundamental component of the E&C programme and help reinforce a strong ethical culture throughout Wood.
Managing cases
We maintain a confidential Ethics Helpline operated by an independent third-party where anyone can raise a concern or report a suspected violation of our policies, procedures or the law. Reporters may elect to remain anonymous.

During 2019, a total of 139 concerns were received through the Helpline and internal channels. All concerns are reviewed and necessary disciplinary and/or remedial action is taken as appropriate. Of the 33 allegations which were substantiated after review, 13 resulted in termination of employment for serious violations of company policy.

When reporters raise allegations of E&C misconduct, we continue to see people preferring to utilise internal reporting channels rather than opting for the external Helpline. We view this as an indicator of trust in the organisation and encourage employees to use their direct supervisors as a first point of contact to report any concerns that they may have.

Third parties
In 2019 we placed renewed focus on our management of third parties such as commercial intermediaries, suppliers and joint ventures. A key part of this was taking steps to reduce the risk posed to Wood by commercial intermediaries which included taking the policy decision not to engage any new sales agents other than those required by law. We maintain a global register of all active commercial intermediaries. During the year we achieved a significant overall reduction in the number of active commercial intermediary relationships. Our active population of sales agents and national sponsors reduced by more than half, to just five by the end of the year. The total number of active commercial intermediaries on our register, including processing consultants, reduced by approximately 50% to 61 by the end of 2019.

Data privacy and protection
Our data privacy and protection programme, led by our Group Data Protection Officer, continued to drive improvements to how we manage personal data. This year we implemented a new data privacy impact assessment and mapping tool to automate the process of evaluating and quantifying the privacy implications of our various systems which contain personal data. The tool and the accompanying training and policy amendments help proactively mitigate data privacy risks in the early stages of projects or implementation of systems. More than 450 employees who may be in positions handling personal data attended training and awareness sessions related to privacy.

Additionally, an IT security training module was launched across the organisation. A network of Data Protection Ambassadors (DPAs) is in place to help raise awareness of privacy principles throughout the business. The DPAs received regular communications and a survey was undertaken to identify actions to enhance the network’s effectiveness. In 2020, we plan to further engage DPAs through bi-monthly training and information sessions. To supplement the training, communications were issued to the workforce throughout the year about several data privacy matters to help increase awareness.

Wood records its data incidents which continue to be mostly low-level impact and attributable to inadequate data handling processes. Learnings from incidents are applied through the circulation of privacy moments, process improvements and training directed to affected segments of the business, areas in our operations which may pose a risk of similar recurrence, and our network of DPAs. Rights requests were processed throughout the year under strict protocols to ensure they were completed accurately and within the required and legally justifiable timescales.

In 2020 Wood will maintain its data privacy and protection programme while integrating requirements from new laws in California and Brazil to build global iterative improvements.

50% reduction in total commercial intermediaries
Throughout 2019 we continued to cooperate with and assist the relevant authorities in relation to their investigations into the historical use of agents and other matters. During the year investigations by the authorities in the US, Brazil and Scotland progressed to the point where the Group believes it is likely to be able to settle the relevant matters with these authorities and a provision has been made in respect of those matters.

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The Group could also face further potential civil and criminal consequences in relation to the investigation by the SFO. See notes 20 and 33 to the Financial Statements for further details.

To minimise the risk from interactions with third parties, we have due diligence requirements in place for onboarding employees, evaluating merger & acquisition targets, appointing resellers and engaging outside legal counsel in addition to the processes for commercial intermediaries. Further guidance for other third-party relationships will be developed in 2020.

Anti-Bribery and Anti-Corruption programme (ABAC)
In 2019, we partnered with Deloitte to assess the adequacy of Wood’s current ABAC programme and related controls and to benchmark against those of similar organisations. The programme, which is ongoing, included a survey in 2019 to gather insight into leadership perceptions followed by several interviews with leaders in the UK and USA. Site visits are due to follow in areas where heightened risks of bribery and corruption may be present in order to evaluate application of the programme controls at a local level. We anticipate this work to conclude during 2020.

US Administrative Agreement
Throughout 2019 we continued to meet the commitments required by our Administrative Agreement with the US Environmental Protection Agency and Department of the Interior, which resulted from regulatory settlements in Wood Group’s Gulf of Mexico business. The Agreement concluded in Q1 2020 and with the commitment of our leadership team it has allowed many sustainability improvements to be made to our E&C programme, HSSEA practices and Gulf of Mexico operations over its three year term.

During 2019 Wood continued to cooperate with the Independent Monitors who are tasked with overseeing compliance with the Agreement and in 2019 the Independent Monitors again certified that Wood remained compliant with the obligations of the Administrative Agreement.

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Environment

At Wood we aim to minimise our impact on the environment and seek to contribute positively towards the global sustainability of the planet we all share. Good environmental management is not only the right thing to do, but makes business sense in protecting our people, the business and the locations we operate in. Managing our environmental risks is imperative to the sustainability of our business and the standards we set and maintain help shape the performance, profitability and the reputation of Wood.

Our HSSE Policy sets out Wood’s commitment to the environment and is supported by our integrated HSSEA management system. This provides the framework for how we manage environmental risks and we align our business to ISO14001:2015, ensuring we monitor and deliver continuous improvement in our environmental performance.

We focus on three key areas:

Managing environmental risk
Managing our environmental risks appropriately ensures the business can retain its social licence to operate and preserve our reputation as a business that operates responsibly.

Reducing our environmental impact
We strive to leave behind a positive legacy wherever we operate. We assess and manage our operations to help reduce, mitigate and minimise our impact on the environment.

Raising environmental awareness and competence amongst employees
It is vital that our employees understand why we care about the environment and why it is important to our business.

Managing our risks
Having a thorough understanding of our operational environmental risks is vital to ensure these are mitigated and managed effectively. Following on from the publication in 2018 of Wood’s environmental standards, in 2019 our focus shifted towards embedding these across our global business. The standards underpin our HSSEA management system and detail the minimum requirements for managing environmental risks and ensure a consistent approach to environmental management.

Environmental performance
Following the alignment of the Wood Group and AFW businesses onto one global reporting system, from 2019 onwards we are able to provide combined environmental incident reporting for Wood. This provides greater detail on our environmental performance and insight into how Wood manages environmental risk.

We record all environmental incidents and near misses globally through monthly and quarterly management reports. This ensures senior leadership and the Board have visibility over environmental performance and enables corrective actions and preventative measures to be taken.

The number of environmental incidents in 2019 reduced by 28% compared to the previous year. All incidents reported were minor in nature with no major incidents recorded. The most common cause of incidents in 2019 was a number of unrelated minor hydraulic hose line leak events. As a preventative action incidents were reviewed regularly throughout the year for patterns of occurrence. This led to the issue of global guidance on how to identify the signs of a likely hose failure and how to prevent further incidents from occurring. In 2020 additional fields will be added to our incident reporting system to gather more in-depth information into all plant or equipment that result in failure, to allow for pro-active steps to be taken with our suppliers.

As well as a reduction in environmental incidents, we have also seen a reduction of 30% in our environmental frequency rate, over the three-year reporting period.

28% reduction in environmental incidents

30% reduction in environmental frequency rate
Reduction of our impact
We care about the legacy we leave behind as a result of our operations. As a responsible business, Wood strives to eliminate or reduce as far as possible, any negative environmental impacts likely to result from our operations.

Carbon performance
Our carbon footprint and how we manage that within our business is vital to realising our own, as well as global, carbon reduction objectives. We recognise the role Wood plays in helping the global economy reduce its carbon footprint and realise the importance of having a targeted focus to achieve this. As part of our three-year strategy to fully align the carbon reporting of Wood Group and AFW by 2020, this year we focused on establishing 2019 as the base year for combined reporting. This will provide the baseline to set group wide targets which is a priority for Wood and one of our key sustainability focus areas. We undertook a number of actions to achieve this in 2019 which included:

- Rolling out an aligned carbon reporting process for the business
- Combining Wood Group and AFW’s reporting systems to provide a singular platform for periodic data collection
- Communicating our carbon strategy throughout the organisation to enable the business to adapt and implement the required changes

To align our reporting processes, our Wood Carbon Reporting and Accounting Standard, prepared in line with the principles of the Greenhouse Gas Protocol, was released in 2018 and rolled out across our business in 2019.

This provides a standardised approach to ensuring Wood’s carbon reporting is comparable on a like for like basis, year on year across the business, to allow appropriate discharge of legal and voluntary reporting requirements.

As a result our 2018-19 reporting is now presented on a combined basis for the first time, giving insight into our global emissions footprint as Wood. In 2020, we will commence the process to establish targets in accordance with the Science Based Targets Initiative (SBTI). The SBTI is a collaboration between CDP, the United Nations Global Compact (UNGC), World Resources Institute (WRI), and the World Wide Fund for Nature (WWF) that independently assesses and approves companies’ targets. Undertaking this process will allow Wood to publish targets in line with global carbon reduction targets.

Global GHG emissions data for Wood for the period 01 October 2018 to 30 September 2019:

564,965 Tonnes of CO₂e

A total split of emissions is shown in the table below. The emissions stated include one owned power plant in Martinez, California, which makes up 68% of the total 2018/19 emissions. There has been a 24% increase in global emissions, mainly attributable to the change in the reporting boundary for the legacy Wood Group business to operational control, in line with our planned integration efforts and strategy, as explained in our GHG Emissions methodology opposite.

GHG Emissions Methodology
Following the acquisition of AFW in 2017, our expanded portfolio resulted in an increase in our energy and GHG emissions reporting over the significance threshold, resulting in a required recalculation of our base year emissions reporting. In this context, and in line with World Resource Institute GHG Protocol and our internal policies and integration efforts, we introduced several changes to our reporting methodology in 2017 with further alignment taking place in 2018 and 2019.

Change in reporting period – As part of our integration process we changed our reporting period in 2017 from calendar year to reporting period 1 October – 30 September in order to align with AFW’s internal emissions reporting. This approach reduces reliance on estimation to increase the accuracy of reporting.

Reporting boundaries – For the current reporting period we moved our reporting boundary to operational control, to align reporting for the legacy Wood Group and AFW businesses. Due to different data collection processes undertaken by both businesses historically, data for the comparison year (2017-18) is presented in line with the historic frameworks under which Wood Group reported on a financial basis and AFW an operational basis.

We have used accepted methods of calculation based on the WRI Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition). We have used national conversion factor guidelines (e.g. Environmental Protection Agency, Environment Canada, DEFRA) where appropriate.

Global GHG emissions and energy use data for period 1st October 2018 to 30 September 2019

<table>
<thead>
<tr>
<th>Emissions from:</th>
<th>Current reporting year 2018-19</th>
<th>Comparison reporting year 2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Wood (combined WG and AFW)</td>
<td>Wood (combined WG and AFW)</td>
</tr>
<tr>
<td></td>
<td>UK</td>
<td>Global</td>
</tr>
<tr>
<td></td>
<td>Global</td>
<td>UK</td>
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<tr>
<td></td>
<td>Global</td>
<td>Global</td>
</tr>
<tr>
<td>Activities for which the company own or control including combustion of fuel &amp; operation of facilities (Scope 1) / tCO₂e</td>
<td>6,432</td>
<td>463,462</td>
</tr>
<tr>
<td>Purchase of electricity, heat, steam and cooling purchased for own use (Scope 2, location- based) / tCO₂e</td>
<td>26,338</td>
<td>101,503</td>
</tr>
<tr>
<td>Total gross Scope 1 &amp; Scope 2 emissions / tCO₂e</td>
<td>32,770</td>
<td>564,965</td>
</tr>
<tr>
<td>Energy consumption used to calculate above emissions (MWh)</td>
<td>109,660</td>
<td>294,766</td>
</tr>
<tr>
<td>Company’s chosen intensity ratio: tCO₂e (gross Scope 1 + 2) / $100,000 revenue</td>
<td>2.83</td>
<td>5.71</td>
</tr>
</tbody>
</table>
Advancing energy efficiency
Throughout 2019 we continued to rationalise our global real estate portfolio, as well as taking steps to identify opportunities to implement energy efficiency measures. As part of our compliance with Article 8 of the European Union’s Energy Efficiency Directive (EU EED), Wood chose to conduct an audit to assess the major sources of our energy consumption. The outcome of this audit has been shared with senior leadership within Wood, in particular our internal Real Estate function, which in turn reports directly to the ELT. In 2020, the learnings from the audit will be used to identify and implement energy efficiencies across the wider Wood portfolio.

Our activities to improve energy efficiency in 2019 included:
- Trials on physical work space management with plans for case studies to be developed in 2020. These will focus on the density of occupation of Wood office space and the potential for increased remote and home working
- An energy reduction project undertaken at our Houston campus (our largest office location globally) focusing on:
  - Optimisation of building automation system controls, widely used to auto regulate the energy consumption of a building, in particular heating and cooling equipment
  - Installation of lighting controls, such as timers, photocells, occupancy sensors or a combination, dependent on the requirements of the specific location
  - Replacing electric motors for equipment such as cooling towers, air handlers, ventilation supplies and exhaust fans with variable frequency drives to both upgrade existing equipment and provide increased energy efficiency
  - Installation of LED lighting retrofit throughout the campus

Climate change risks and opportunities
At Wood, we recognise the unprecedented challenge the world faces today to tackle the effects of climate change. With an ever-increasing demand for energy, seeking ways to limit resulting carbon emissions is a global priority to ensure a sustainable future for our planet.

We support global efforts to tackle climate change and the United Nations Paris Agreement on Climate Change seeking to limit global warming this century to well below 2 degrees above pre-industrial levels. To demonstrate our commitment, Wood participates voluntarily in the annual Carbon Disclosure Project (CDP) questionnaire. The CDP is an independent, not-for-profit organisation and the largest published registry of corporate GHG emissions in the world. Our involvement in the scheme allows us to demonstrate Wood’s resilience to climate related risk, the opportunities we see arising from climate change issues and the structure in place to ensure governance in this area. Fully aligned to the Task Force for Climate Related Financial Disclosures (TCFD), our CDP submission also allows us to benchmark performance against our industry peers and global business community. In 2019, we submitted our second submission to CDP Climate Change as Wood, building upon a long history of participation in the scheme.

Further information on CDP and access to our annual response is available at: www.cdp.net/en/scores

Energy transition and sustainable infrastructure
At Wood, we seek to play a leading role in the global energy transition to renewable and sustainable energy sources. We combine our technical expertise with innovation to deliver a range of solutions, from advancing sustainable, clean energy sources to driving improved efficiencies from existing energy sources. We are also actively collaborating with industry and government bodies in this area.

As well as looking at our own resilience to climate change, we believe our expertise and experience in climate resilience, sustainability and infrastructure can help cities around the world better deliver on the UN Sustainable Development Goals (SDGs), building projects that meet ever growing social, environmental and economic demands, and future challenges.

In 2019, through key resilience partnerships with 100 Resilient Cities (100RC) and the United Nations Global Compact Cities Programme, we are able to best align our project work to help advance the UN SDGs, and provide scalable, sustainable solutions to help build resilience in cities and communities.

Further information on our strategy aligned to energy transition can be accessed at woodplc.com/energy-transition

Further information on our partnerships with 100RC and the UNGC Cities Programme is contained within our annual sustainability report which is available at: woodplc.com/sustainability

Further information on our strategy aligned to energy transition can be accessed at woodplc.com/cmd19

For details of our business model that is well positioned for opportunities in energy transition see pages 04 to 05
Unlocking the full potential of hydrogen

As well as being the most common element in our atmosphere, hydrogen has the highest energy content of any fuel we use today and yet, after combustion, it has zero emissions or pollutants. This offers the potential to decarbonise several sectors.

Working with the Scottish Government and other industry partners, Wood collaborated on a feasibility study for the creation of ‘Green’ hydrogen from renewable resources, and its electrification for use in the transport industry. As part of the Scottish Western Isles Ferry Transport Using Hydrogen (SWIFTH2) project, Wood helped to assess the feasibility of deploying hydrogen-powered passenger ferries on nine ferry routes serving the Western Isles and West Coast of Scotland. Various aspects including locally available renewable energy resource, planning constraints, challenges associated with the production of hydrogen, and the refuelling requirements of each ferry route were studied. The potential emissions savings from the replacement of the Barra to Eriskay and Stornoway to Ullapool routes is estimated to be around 676 and 21,815 tonnes of carbon dioxide equivalent per annum respectively, a combined equivalent of taking nearly 5,000 cars off the road each year.

As well as helping to advance the use of hydrogen as part of the energy transition, this particular example also showcases the real potential in helping governments meet carbon targets and the Paris Agreement’s commitment of reducing CO2 emissions by 60% by 2050.

Provision of owner’s engineer services for one of the largest of its kind solar PV plant in the Netherlands

During 2019 we completed work on Shell’s first solar PV plant, located at the Shell Nederland Chemie Moerdijk Chemical Facility in the Netherlands. The plant consists of 76,000 solar photovoltaic panels, one of the largest facilities of its kind in the Netherlands, generating power for the onsite chemical facility.

Throughout the pre-construction and construction phases of the project we acted as owner’s engineer, providing the technical procurement expertise for Shell through the drafting and tendering of the engineering, procurement & construction (EPC) and operation & maintenance (O&M) contracts, construction monitoring, commissioning, performance testing and completion verification.

Key facts:

- 76,000 solar panels
- Largest solar plant of its kind in the Netherlands
- Reducing carbon intensity of chemical production
Strategic report

John Wood Group PLC Annual Report and Accounts 2019

Showcasing ecological innovation

Wood is proud to have been part of the Rt. Hon. Herb Gray Parkway project in Ontario, Canada, managing the Species at Risk (SAR) program delivery. Situated in the Canadian municipalities of Windsor, LaSalle, and Tecumseh, the 11 kilometre, $1.4 billion highway infrastructure project is focused on improving the movement of people and goods through Canada’s busiest trade corridor with the US. One of the unique aspects of the project is its three large eco passages, allowing wildlife to cross between two natural areas that had been separated by road development since the 1920s. In addition the project included the creation of more than 17 kilometres of trails set within more than 120 hectares (300 acres) of green space situated alongside the two highway extensions and across the 11 tunnel tops.

This project highlights our sustainable infrastructure capabilities. Wood managed all environmental aspects of the parkway project, including: SAR salvage that included more than 200,000 plants; snake tracking with radio telemetry; monitoring during construction; site restoration management; baseline and construction monitoring under SAR permitting compliance; and sustainability planning.

Highlights of the project included the use of innovative techniques to increase habitat diversity including the demolition of a housing development to create a new tallgrass prairie that repurposed house foundations to create overwintering areas for snakes.

Currently, Wood is providing environmental management for the operations maintenance and repair phase of the project. In 2020, we will complete a decade of permit-based wildlife monitoring, with final reporting set for 2021.

Find out more at: woodplc.news/parkway

Improving transport resilience

In 2019, Wood was appointed by the World Bank to assess the potential of using alternate forms of transport including rail and inland waterways for freight movements in the Western Balkans. In the Western Balkans region, most freight is currently transported via roads that are susceptible to climatic events, resulting in delays at crossings. As well as industrial output, communities in the region are also increasingly reliant on this transport network to carry out their daily activities.

Our delivery team blends specialist skills from Wood’s climate resilience, transport, economics and geographic information system (GIS) mapping teams. Alongside consultation with local freight associations, Wood’s scope is to undertake a financial and socio-economic environmental feasibility assessment of several inter-modal terminal investments.

This assignment builds on an existing study that Wood is carrying out on behalf of the World Bank, that considers the impact and severity of climatic events and natural disasters on the resilience of the strategic road network in Albania, Bosnia & Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia. The outputs from the project are being used to inform policy and decision-makers on the key priority roads that require further resilience investment.

Raising awareness and competence

At Wood, we believe it is vital that our employees understand why we care about the environment, why it is important to our business and their role in making informed decisions in their day to day activities.

In 2019, we continued to observe and promote internationally recognised days to raise our employees’ awareness of areas of global interest and concern, including Earth Day in April and World Environment Day in June. A key area of focus in 2019 was on reducing single use plastics throughout Wood. Our internal working group in this area developed and rolled out various awareness campaigns throughout the year and the work of this group led to the launch of our guidance document ‘A guide to reducing single use plastics’ during our annual sustainability week celebrations. The guidance is structured around the 4-Rs principle, Reduce, Reuse, Replace and Recycle and follows the waste hierarchy to help promote awareness around managing our use of plastics and the potential options to reduce usage, both in the workplace and at home. As we move into 2020, this working group will focus on the publication of internal targets on plastic to help mitigate and reduce our reliance on single use plastic.

Building a sustainable business

Raising awareness and competence

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Find out more at: woodplc.news/parkway
Design of groundwater treatment systems in the United States

In 2019, as part of our ongoing scope to support the US Air Force with the remediation of a former air force base in New Hampshire, we developed two innovative water treatment systems.

This included the world’s first regenerable resin system for Per- and Polyfluoroalkyl Substances (PFAS) treatment, to protect public drinking water supply wells. PFAS is a growing environmental concern due to the potential negative impact to human health. Our scope included studies, design and implementation of systems to treat groundwater contaminated with PFAS primarily from foam used in fire extinguishers on the former fire training ground.

This project demonstrates our capability in investigating, assessing, and implementing PFAS remediation projects, enabling clients to achieve site closure at the lowest lifecycle cost and return their property to positive future use.

Key facts:

>100m
gallons of water treated to non-detect levels

1st
regenerable resin water treatment system in the world
Society

People

Employee engagement has been at the heart of our people activities during 2019 and a key focus of our leaders and Board members. We have continued to build on our successes from 2018 to embed an enduring, sustainable and meaningful culture that is focused on inclusivity.

Employee engagement

The Board plays an important role in establishing and promoting the company’s values and culture. In July 2018 we launched Wood’s first global employee engagement survey, sponsored by Thomas Botts (non-executive director). We asked our people what they feel we do well and what they believe we should be doing better. The survey acts as a mechanism for the Board to measure culture in a consistent manner, taking into account feedback from our global workforce. In 2018 our engagement score was 71 (0.4 below the industry benchmark); this improved to 72 in November 2019, (0.1 above the industry benchmark). During the same time span, we have also improved our employee net promoter score which is a key indicator of cultural health across Wood. As a result of our employee feedback, during 2019 we have acted on the top recommendations which were to:

Invest more in:

• Leadership development
• Simplifying processes and removing internal competition
• Education about our business and capabilities
• Technology and equipment

And to create:

• Visible career paths
• Increased employee involvement and recognition
• Transparency on terms and conditions, including flexible working

In response to this we have undertaken a range of actions.

Leadership development

• Delivered our Frontline Leaders programme to 3,000 of our leaders. The programme encourages participation, collaboration and raising self-awareness allowing participants to shape and develop their leadership style. It has strengthened our leadership capability and contributed to maintaining our safety performance by giving our people tools and techniques to accelerate their own development and the development of others.
• Provided coaching support to our leaders to support them in having effective, authentic conversations with their people about careers, development and performance.
• Launched a careers portal where toolkits, learning and guidance is available for all of our people to enable them to drive their own career.
• Finalised the development of a mentoring application tool to match mentors with those seeking support in the wider business.

Simplifying processes

• Reduced the number of entities across Wood to simplify our global structure and remove internal barriers to collaborative working. In 2019 we started with 1,060 entities and will have reduced this by approximately 400 by the end of 2019. Our end target is to reduce the number of entities to 250 by 2022.
• Continued to simplify our processes through the roll out of Oracle People, our global HR information system replacing over 66 other systems previously in use. This has now been implemented in most of the UK, US and Canada, bringing efficiency and consistency to the way we manage our people processes. Oracle People enables real time and accurate reporting allowing strategic decisions to be made in support of our business. By the end of 2020 approximately 70% of our population will be included.

Education about our business and capabilities

Reorganised internally to create a new marketing & communications (marcomms) function. Part of marcomms’ focus has been to enhance internal communications, ensuring our people are aware of the full range of Wood’s capabilities and can engage confidently with existing and potential clients. We have improved the communication of our business and financial performance in a number of ways. Robin Watson delivered a series of strategy roll out sessions in August across our global operations; and our executive leadership team and their direct reports hold regular town halls and deliver global engagement calls. In addition, our employees receive Wood News which features global and local information relevant to our people and financial updates delivered by David Kemp, following market updates.

Technology and equipment

As part of our focus to ensure consistency in our IT infrastructure we have invested in network equipment and IT hardware during the year having deployed approximately 22,000 new laptop/desktops and rolled out Office365 and Windows 10 to more than 21,000 people.

Visible career paths

Developed a global job framework to provide a consistent, structured and simplified approach to understanding jobs across our business, to support business flexibility and agility. This combined with the transparency of all vacancies globally in our recruitment system, iCIMS, enables our people to own their career opportunities in Wood. In 2019 we focused on rolling out the job framework for our support functions and in 2020 we will finalise the job framework for our technical roles.
Increased employee involvement and recognition

Our Listening Group Networks (LGN) provide two-way communication and feedback channels between groups of employees representing every location, hosted by the ELT and members of the Board. The LGN’s objective is to enable all Wood employees, regardless of their role or location, to connect and be engaged in the wider Wood community. Calls take place bi-monthly and give the non-executive directors participating in the LGN calls the opportunity to gather the views of our workforce, strengthening the “employee voice” in the boardroom, and enabling the Board to better understand, monitor and assess the culture across the organisation.

During 2019 we carried out six calls, on topics including business strategy, employee networks, IT service provision and well-being. The Board and ELT welcome the opportunity this direct engagement offers them and ensure that all views are respected, listened to and acted upon. As an example, feedback from the calls led to a “deep-dive” review of the quality of IT services across the business.

In addition, the Board continues to carry out workforce engagement activities including involvement in hosting talent breakfasts or lunches and town halls and mentoring between non-executive directors and middle managers.

We further supported and involved our workforce via our employee networks which are facilitated through Yammer, launched in December 2018, enabling our people to be able to reach out and collaborate with one another across the world. The established networks involve more than 4,500 people on topics such as LGBT+, gender balance, carer responsibilities, armed forces; and developing professionals. Each network is sponsored by a member of the ELT or their direct reports, who actively participate and champion specific projects such as the development of a global carer’s blueprint to support our people who are balancing work and carer responsibilities.

We held our second global leadership conference at the end of September in Edinburgh to communicate and engage on our strategy with our top 200 leaders. The key theme was to deliver peak performance in response to opportunities from the key trends for our business.

One of our proudest achievements during 2019 was the launch of our Inspire Awards recognising the incredible efforts our people have made in support of Wood’s values – courage, commitment and care.

Taking place over nine months, we received 1,700 nominations from 40 countries. The winning example which best represented Wood values in action was Gagandeep Singh, from our global shared services team in Gurgaon, India, who is doing extraordinary things to improve the life chances for the next generation. Over the past six years he has supplied 20,000 books which have benefited 6,000 under-privileged children in 70 schools and universities, across 23 cities in India and China.

1,700 nominations received

40 countries
We have introduced a global Employee Assistance Program (EAP) in support of Wood’s wellbeing strategy. Being part of the Wood family means our workforce is part of a team that cares about their wellbeing, cares that they have someone who listens; cares that they have all the support they need to succeed; and cares about them and their loved ones. Employee wellness plays a key role in maintaining a culture where our people enjoy coming to work and fosters collaboration, ideation, innovation and growth which are vital to powering our strategy.

The EAP offers a range of support and independent counselling services to employees and their immediate family members. It can help employees tackle all types of problems, be it personal or work related, from simple issues that are encountered in daily life to more complex and challenging personal and emotional difficulties.

In 2020, we will launch our global wellbeing framework which supports activities to create the best working environment. It will focus on six key pillars which Wood considers important: emotional, physical, social, financial, career and environmental health.

Assessing our culture
Having a strong culture is fundamental to everything we do. As a people business, our culture focuses on creating a working environment where our people enjoy coming to work every day and our clients want to work with us. It is underpinned by our vision, values and behaviours which help create our culture by setting the tone and giving us one common set of principles.

The Board regards the employee engagement score as a measure of the effectiveness of our culture and we continue to monitor our employee engagement and culture via quarterly “Pulse” surveys, with the results communicated to the Board. These involve over 1,700 employees, randomly selected across our global business, asked the same questions over the course of the four surveys. The key engagement question, which is a measure of our cultural health, “how likely are you to recommend Wood as a place to work?” is always asked. Since the global survey in August 2018 we have improved our engagement score from 7.1 to 7.2, (0.1 above the current industry benchmark).

We are particularly proud of the improvement in demonstrating care for our people, both from a line manager and corporate perspective. Feedback also shows that we have significantly improved development and career support; fair reward for our people; and providing them with the materials and equipment to carry out jobs effectively. The full survey, involving all our people, will take place in summer 2020.

We continue to monitor compliance against our global people policies; Human Rights, Equal Opportunities, Diversity & Inclusion (D&I) and Anti-Slavery and Human Trafficking. This is done via internal audits carried out by our People & Organisation (P&O) business teams. Any breaches and actions taken or proposed actions are discussed at monthly P&O leadership team meetings in order to ensure best practice can be shared and lessons learned. In addition, during 2019 we have focussed on delivery against our global D&I action plan.

Our Human Rights policy is available at: woodplc.com/humanrights
Our Equal Opportunities policy is available at: woodplc.com/equal
Our Modern Slavery policy is available at: woodplc.com/modernslavery

External engagement
In 2019 we again participated in the Workforce Disclosure Initiative (WDI) report. The WDI is a collaborative project designed to help companies improve their workforce reporting by disclosing standardised and comparable workforce information. It provides a framework for investors and companies to work together to build understanding and improve policies and practices on a range of workforce-related topics. The long-term goal of the WDI is to improve the quality of jobs in the operations and supply chains of listed companies across the world.

As of June 2019, the WDI is supported by over 125 investor signatories with over $13.5 trillion in assets under management. Our 2019 disclosure score was 54% which is above the average for all companies (40%) and the country average (43%) and is in line with our sector average. We were particularly encouraged with our ratings regarding our workers’ rights, including those within our supply chain, and look forward to working closely with the WDI in 2020 to continue to enhance our disclosure and working environment for all of our workforce.

We participated in the Hampton Alexander review, achieving 16.9% female leaders at ELT and their direct reports level. Although it was reported that we had 25% at Board level, had the dates for both leaders and Board members been the same, we would have had 33% (this is because the review gathers Board data in October, but leadership level data in July); from 1 March 2020 we returned to 33% female at Board level.

Diversity and inclusion
At Wood our commitment to diversity and inclusion is part of the way we do business and is fundamental to our efforts in creating a great working environment and culture where we respect the variety of cultures, backgrounds and perspectives in Wood. We want our people to feel involved, respected, valued, trusted, connected and empowered. It not only benefits our people, but all of our stakeholders. Whilst embracing diversity and creating an inclusive working environment is implicit in our values and behaviours, there are some great examples of D&I activities already taking place in Wood which gives us a solid foundation to build on. We want our commitment to D&I to be clear and understood by all our people, so we created an action plan for 2019 with the aim to drive sustainable change and accelerate our progress across Wood.

Our Diversity policy is available at: woodplc.com/diversitypolicy
In 2019 we focused on D&I in business processes, engagement, measurement and communication and have:

-Implemented meaningful changes to key people processes by prioritising reviews on flexible working, talent identification, selection and development and family leave. In 2020 we will increase our capability to collect (on a voluntary basis) diversity data from our people, in line with Oracle People deployment, whilst also complying with legal requirements to improve our overall understanding of the diversity profile in Wood and how representative it is.
-Expanded and embedded our employee networks globally ensuring each is sponsored by a member of our ELT.
-Established a global diversity and inclusion community of practice which will report progress and provide feedback to our Culture Club. The Culture Club is a multi-disciplinary, global team established to ensure the intent of our values and behaviours are embedded into all ways of working.
-Provided leaders with awareness training on Wood’s expectations around diversity and inclusion; we will expand this during 2020, including awareness of unconscious bias.
-Measured success via employee engagement Pulse surveys, promoted events linked to D&I and celebrated our communities and local traditions.

We continue to be proud in demonstrating our support for the armed forces and in 2019 achieved gold employer recognition status from the UK Ministry of Defence. Wood recognises the value serving personnel, reservists, veterans and military families bring to our business and have an inclusive and active Armed Forces Network Group sponsored by senior leaders, seeking to support the employment of veterans.

We remain committed to quarterly reviews of the gender make-up of our leadership and management teams, as well as the organisation overall. This allows us to focus on ensuring we have a broader succession plan in place, particularly in the technical and operations areas of Wood, and reflects our desire to ensure a broad range of backgrounds, experience and thought leadership. In 2020 we will have D&I targets to improve conscious inclusion and gender balance across Wood with additional local targets in place, where appropriate, to support the enhancement of diversity within our teams, including leadership.

**Gender pay**

Our gender pay report for 2019 has continued to evolve as we rationalise UK employing entities. Although this makes year on year comparison difficult, we have increased the number of entities voluntarily reported, from four to seven, in line with our focus on improving pay transparency, supported by systems integration. The overall average pay gap for Wood is 23.3%. This has increased from 2018 due to the sale of Wood Group Industrial Services Limited, prior to our report being finalised; this company was predominantly made up of lower paid male workers which previously reduced our overall pay gap. In line with previous years’ reporting, the explanation for our gap continues to be related to gender distribution across occupations and job levels; this is consistent across all entities and our industry peers. Full details can be found on the Government website, categorised by industry sector as determined by the Office of National Statistics (ONS), or on the company website. In Wood diversity and inclusion remains fundamental to our efforts to create a great working environment and effective culture.

Our Gender Pay Gap report is available at: woodplc.com/genderpay

**Disabled employees**

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the company policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

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**Wood gender split at 31 December 2019**

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<thead>
<tr>
<th></th>
<th>Overall</th>
<th>Board</th>
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<tbody>
<tr>
<td>19%</td>
<td>25%</td>
<td></td>
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<tr>
<td>81%</td>
<td>75%</td>
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**ELT**

<table>
<thead>
<tr>
<th></th>
<th>Leadership teams (incl. ELT)</th>
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</thead>
<tbody>
<tr>
<td>44%</td>
<td>30%</td>
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<tr>
<td>56%</td>
<td>70%</td>
</tr>
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**Functions leadership**

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<tr>
<th></th>
<th>Operations leadership</th>
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<tbody>
<tr>
<td>45%</td>
<td>7%</td>
</tr>
<tr>
<td>55%</td>
<td>93%</td>
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</tbody>
</table>

**Note:**

Chief Executive and Group CFO are included in the ELT gender split.

Operations leadership consists of the three levels of leadership below ELT not included in functions leadership.

Following the resignation of Jann Brown and Linda Adamany during 2019, the Board composition at 31 December 2019 was 75% male and 25% female compared to 60% male and 40% in 2018. We continue to proactively review the composition of the Board to ensure diversity together with the appropriate blend of skills and experience and are delighted that Birgitta Brinch Madsen joined the Board on 1 March 2020, taking our Board level percentage to 33% female.
Community

At Wood, we are committed to the communities we share and to creating a sustainable future that aims to address both local and global challenges. We recognise that to create sustainable value, we must engage with government, local communities and other organisations on the issues that affect our responsibility to respect, nurture and empower the people and locations impacted by our business.

Our approach

Wood’s community investment programme focuses not just on the financial support our business can offer, but the time, skills and resources we can utilise to benefit the communities we share. With a diverse and global employee base, our community investment programme focuses on supporting our employees’ actions in the communities we are a part of. We take an inclusive approach, engaging with our employees on the issues most important to them and their insights on the key challenges in the locations we operate.

The programme is governed by our Community Investment Committee which is chaired by the Global Sustainability Manager and is supported by a sustainability champion from each of our business units. The committee reports through our HSSEA function to the ELT, providing oversight of the committee’s activities. The community investment programme focuses on three key elements; employee matched funding, our chosen global cause and volunteering activities.

Employee Matched Funding

Every day, across our global business, people are showing commitment and courage to care for the communities we live and work in.

We believe these actions should be recognised and our employee matched funding programme helps us to achieve this. Supporting employee fundraising efforts for personal choice charities, Wood’s matched funding programme matches up to 100% of the amounts raised by employees, up to a specified limit. This initiative is the foundation of our community investment programme and we believe this method of charitable funding engages the maximum number of employees in a meaningful and tangible way across our organisation.

Now in its second year of operation, engagement with the programme continues to increase. In 2019, the community fund received 257 applications, with a mixture of individual and group fundraising efforts, benefiting 146 charitable organisations worldwide. From sponsored abseils, to marathons and open water endurance swims, our people continue to demonstrate our values of Care, Courage and Commitment through their generosity and commitment to giving back to their communities.

2019 by the numbers:

257 matched funding applications

£254,432 employee fund raising efforts matched with £204,459 by Wood

146 charitable organisations supported

13,862 hours volunteered by 9,152 employees

Building hope one brick at a time

In 2019, a number of our employee matched funding applicants chose to support Sue Ryder’s appeal to extend their neurological care centre in Aberdeen. Sue Ryder provides 24/7 care for people with life-limiting neurological conditions. During 2019, Wood began a year-long campaign to support the charity and set an ambitious target to raise £100,000.

Helping to build a brighter future for people living with neurological conditions, our people have walked, run, cycled and even abseiled and Wood has been proud to support these individual and group efforts through our matched funding programme.

£100,000 fundraising target
Imagine it. Invent it.

Wood received recognition in 2019 from the International Association of Business Communicators (IABC), being awarded the Atlanta Golden Flame Award for our comprehensive STEM social media campaign called “Imagine it. Invent it.”

The campaign was developed to attract the next generation of brilliant thinkers in our industry, empower young people to imagine a world without limits and build the future, as well as provide resources for our brightest people to drive STEM education forward.

More information on the campaign can be found on our website: woodplc.com/sustainability.

Our Global Cause

As well as supporting employee personal choice charities, we recognise the importance of providing strategic direction to Wood’s community investment programme. Uniting our business behind a single cause enables Wood to demonstrate our strength together and our measurable impact in the communities we operate in, whilst also aligning our efforts to the global agenda on sustainable development. As part of our commitment to the United Nations Global Compact and advancement of the United Nations Sustainable Development Goals (SDGs), in 2018 we surveyed our global employee base who selected quality education as Wood’s global cause.

In 2019, our business unit sustainability champions helped to create a framework for supporting our global cause. In developing the framework five key areas related to quality education were selected that will be used in the business to monitor and report the impact of our efforts. The five key areas are;

- Supporting youth education
- Investing in our own people
- Improving access to quality education
- Building professional relations
- Providing a safe and healthy learning environment.

As part of our annual Sustainability Week, in 2019 we launched our first annual challenge on education. This initiative was open to all employees and challenged them to submit proposals, within the categories of our global cause framework, to receive seed funding to benefit an education project in their local area.

We received proposals from across our business for a mixture of local and global projects for implementation over the course of the year ahead. These projects cover a wide range of aspects from working with local government and universities to aid local employment and youth education to helping children in poverty gain the nutrition required to fuel their education. In 2020, each successful application will be given the opportunity to communicate their efforts to our global employee base to highlight the tangible progress in support of our global cause.

The world needs engineers, designers, and scientists to help solve the world’s biggest challenges. As a responsible employer, we recognise that investing in and inspiring the next generation is hugely important when addressing the Science, Technology, Engineering & Maths (STEM) skills shortage not only for Wood, but for wider society and global sustainability. STEM activities form an important part of our global cause framework and are a continued focus for Wood.

Dream Learn Work

Wood has been a partner of the Brazil based non-profit organisation Dream Learn Work for over three years. Founded in 2007, the organisation’s mission is two-fold: helping young people from low socio-economic backgrounds and helping Brazil to develop and educate skilled candidates. In 2019, Wood welcomed two groups of young people to our Rio de Janeiro office as well as our work site in Macae, to learn about Wood, the oil & gas industry and the current job market. At Wood, we believe supporting youth education and early access to the corporate environment is important for future skills development and employment.
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Volunteering our time
Demonstrating our values in action, our people go above and beyond to volunteer their time for causes close to their hearts and to help communities in need.

Environmental engineers from our Portland, Maine office are working with Engineers Without Borders to design and implement a water distribution system in El Progreso, Ecuador. Access to a safe water supply is a critical issue for the local community. Our dedicated engineers helped drive efforts to construct a new water distribution system for the community, through detailed piping design, project reporting and three planned implementation trips to bring these plans to action. The new water system will reduce the risk of water-borne illness and time that residents spend obtaining water for their homes and will pipe clean water to each household that is registered with the Water Board in Ecuador.

In 2019 we launched our Inspire Awards which recognise the efforts of our people in support of Wood’s values. Gagandeep Singh won the People’s Choice award for his volunteer work to help improve the life chances of the next generation. Gagandeep spends roughly 10 hours of his own time each week teaching English and communication skills in a local university. Through launching his ‘Connecting the Dots’ initiative, Gagandeep has helped to support countless, less privileged students with their additional educational needs and has helped supply books to underprivileged children in India and China.

Sustainable communities
We believe our passionate people and collective global community of subject matter experts gives us a leading position in helping communities become sustainable, future ready and resilient to the challenges of tomorrow and in particular, climate change.

At Wood, we harness cutting-edge technologies to upgrade and expand water infrastructure, ensuring that it can withstand future environmental stresses, to help communities establish and maintain a supply of water for the long-term. In a water-scarce community in India we developed a recycling system to help mitigate the challenges caused by the generation of wastewater and other pollutants. Our team developed an innovative approach to biological nutrient removal in combination with ultrafiltration membranes and reverse osmosis to design a recycling system to help support communities in India. This recycling system will reduce the risk of water-borne illness and time that residents spend obtaining water for their homes and will pipe clean water to each household that is registered with the Water Board in Ecuador.

In 2019, Wood signed its second generation Innovate Reconciliation Action Plan (RAP) with Reconciliation Australia, a non-government, not-for-profit foundation established to promote a continuing national focus for reconciliation between Indigenous people and the wider Australian community.

The RAP programme provides a framework for organisations to support the national reconciliation movement. Our 2019 – 2021 RAP builds upon the foundations and progress of our 2015 RAP and its commitment to listening and working collaboratively with Aboriginal and Torres Strait Islander peoples, with a focus on creating a sustainable future. As well as establishing new connections in the community, this renewed agreement will build on our already successful partnerships and programmes focused on providing equal opportunities in education to support indigenous and marginalised groups including, the Girl’s Academy, Role Models and Leaders Australia’s programme, Career Trackers, Clontarf Foundation and Red Dust.

Whether through providing financial support, volunteering our time or utilising our knowledge and skills, Wood and our people continue to stand up in support of the communities we share and demonstrate our values in action. In 2019 we have provided meaningful support that enables our communities to grow sustainably and flourish. This support will continue in 2020 with a focus on further support for Wood’s Global Cause and encouraging wider engagement across Wood with our ongoing employee matched funding programme.
The principal risks identified that face the Group are set out below. During the year the Board has carried out a robust assessment of these principal risks as well as emerging risks, and monitored the Group’s risk management and internal control systems.

Risk management
The Board is responsible for:
- Identifying the nature and extent of the emerging and principal risks faced
- Determining the extent of those risks it is willing to take in achieving its strategic objectives (its “risk appetite”)
- Performing a robust assessment of those risks
- Monitoring and reviewing the risk management and internal control systems, and providing oversight of the processes that management follows

The Board is assisted in this assessment by the Audit Committee and the Safety, Assurance and Business Ethics Committee, who are delegated responsibility for various aspects of risk, internal control and assurance.

For more information on the effectiveness of internal control systems see page 53

Risk management process
A bottom up and top down approach to identifying risks operates within the organisation as laid out in the group risk management framework. Risk registers are developed at an individual contract or project level, escalated to the Business Grouping (BG) risk registers, and rolled up into Business Unit (BU) risk registers, which are reviewed respectively by the BG and BU Leadership Teams every quarter. The Chief Executive and the Group CFO subsequently review the BU risk registers as part of the quarterly BU Project and Risk Review meetings.

Group level functional risk registers are also maintained with the functional leadership teams reviewing these risk registers twice a year.

Emerging risks are identified throughout the year via the BU and functional risk processes and escalated to the ELT as part of their monthly meetings, discussed during the Group Risk Committee and further escalated to the Board as required. This process follows the group risk management framework, which applies to all risks. Each of the non-executive directors provides their perception of emerging risks, and a cross-check against the principal and emerging risks identified by Wood’s peer group is also undertaken, both of which inform the mid-year Board discussion on risk.

The aggregation of the individual risk registers into a Group risk register was reviewed twice during the year by the Group Risk Committee, which is attended by the full ELT and the General Counsel, to ensure that the material risks for the Group are appropriately measured and managed. The overall focus of the Group Risk Committee meetings was on ensuring that all of the principal risks for Wood were identified and appropriately mitigated.

After the Group Risk Committee reviews, the summary of principal risks are formally reviewed by the Board twice a year.

The principal risks considered by the Board in March 2020 are set out in the table on pages 48 and 49.

Robust assessment of principal and emerging risks
The Board has carried out a robust assessment of the principal risks facing the business. To support this, the Board and its committees received regular reports from key functions such as safety, ethics & compliance, finance, tax & treasury, legal, IT, internal audit, operations assurance and P&O, along with operational reports from the BUs, which include key risks, information on compliance with controls and reports on assurance activities where applicable.

During the mid-year Group Risk Committee, a deep dive into the controls over the project execution risk was carried out and was subsequently discussed by the Board. This included a gap analysis to ensure appropriate control coverage within the execution excellence programme.

In 2018, whilst the main changes to integrate AFW were complete several projects continued into 2019. These formed our integration PLUS programme and in 2019 the Board continued to receive regular updates on the PLUS programme to ensure visibility and rigour on the process, risks, and controls in place. Two of the non-executive directors, Jacqui Ferguson and Thomas Botts, provided additional governance and challenge to the PLUS programme team throughout the process. The monitoring of the PLUS programme continued with reports to every Board meeting on progress and key risks, in addition to detailed reports on cost synergy delivery provided at each Audit Committee meeting. Separate risk registers were maintained for each of the major integration projects and the key risks from these were aggregated into an overall PLUS programme risk register, which was maintained throughout 2019. The risks associated with continuing change initiatives such as the roll out of Oracle ERP across the Group are now managed via the relevant functional risk registers as part of business as usual.

Accordingly, the principal risk related to delivery of the PLUS programme, which was included in the 2018 annual report, was formally closed at the year-end Group Risk Committee with final updates being provided to the Board meeting in March 2020.

As an output of the Group risk management process, emerging risks related to climate change were identified at both the 2018 year-end and 2019 mid-year Group Risk Committee and Board risk sessions. At the end of 2018, climate change was not considered to be a principal risk. Due to the rapidly changing external environment, it was agreed to examine this area in more detail in 2019. This was taken forward to a climate change risk workshop facilitated by Group Risk including representatives from sustainability, environment, HSSE, supply chain, commercial, insurance, investor relations, treasury, strategy, security, real estate, travel, and legal.

The year-end Group Risk Committee and Board risk session considered the output of the climate change risk workshop, and the resulting new principal risk was defined as failure to meet our ESG responsibilities, as included in the risk table.
Wood has regularly monitored and assessed the legal, financial, commercial and operational effects of Brexit throughout the year, particularly focusing on the planned exit dates and following the UK General Election. Brexit has never been perceived as a principal risk area for Wood, and the risk impact decreases with the sale of the nuclear business and the sale of our UK and Ireland focused industrial services business, both in Q1 2020. The majority of Wood’s business is external to the EU. UK / EU cross trade represents less than 1% of Group revenue and the majority of the Group’s revenue is non Sterling. During 2019, a business impact assessment was performed again, using the assumption of a no deal Brexit, in the run up to planned exit dates, to identify localised areas potentially impacted by Brexit that are being managed throughout the Group. These include critical spare levels being increased on a small number of UK projects and external advice being obtained to assist in supporting the small number of employees that are impacted. A final Brexit readiness session was held prior to 31 January 2020, to ensure that all previously identified risks were being appropriately mitigated. The Brexit risk was reviewed again during the Group Risk Committee in January 2020 and the Board in March 2020, and this reconfirmed that Brexit is not considered to be a principal risk. The Brexit risk will continue to be monitored as the transition period progresses.

The recent COVID-19 outbreak has been considered as part of the Major Incident principal risk as a significant HSSE event. In response, each of the BUs has completed business impact assessments, which have then been brought together in a group-wide risk workshop. A Pandemic Preparedness Team has been created to ensure that the business is prepared to manage the evolving impact of COVID-19, and to monitor official guidance. The risk assessment and response for COVID-19 has been discussed and agreed by the ELT and the Board in March 2020.

### Risk appetite

The Group’s risk appetite is defined by six broad risk appetite statements that cover the principal risks. These were revisited at the August Board meeting to ensure that the current list of principal risks were adequately covered by the risk appetite statements.

The Group’s risk appetite is taken into account when setting the nature and extent of the key control mechanisms in place and the level of assurance activity required for each risk.

A framework around the application of the Group’s risk appetite to contracting models was put in place in 2018, which sets out the risk appetite for certain fixed price or lump sum (and other high risk) contracts and outlines ten criteria to assess contract opportunities. Clear criteria exist for approval of these type of contracts by the Tender Review Committee. The process for ongoing monitoring of fixed price and high risk contracts includes quarterly BU Project and Risk Review meetings attended by the Chief Executive and Group CFO, which follow similar reviews at business grouping level.

### Group risk management standard

A Group risk management standard was developed in 2018 and fully rolled out in 2019 detailing the Wood risk management framework and process, which codifies existing practice. The 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 over business risks to inform leadership

During the second half of 2019, work has also been ongoing to develop a project risk management standard to align existing practices across the Group. This development has been carried out as part of an overall initiative on execution excellence, which sets out a more consistent approach to overall project governance. The project risk management standard is a subsidiary document to the Group risk management standard and will be rolled out in early 2020.

### Monitoring the risk management and internal control systems and processes

The Board received bi-annual updates on the key controls in place in relation to each of the principal risks, the level of assurance activity carried out, and management’s assessment of the adequacy of the assurance provided and the effectiveness of the controls. As part of this monitoring, the Board could ensure that corrective action was taken where necessary.

To ensure that responsibilities for risk and assurance were clear within the committee structure, each principal risk and area of risk is assigned to either the Board or one of the Board committees. This is revisited on an annual basis at a meeting with relevant members of the ELT and the Board.

Overall the control environment was considered to be operating effectively. Ongoing improvements are planned in certain key areas in 2020 including the roll out of various initiatives on project execution excellence and a continued focus on aligning back office internal controls as the Oracle ERP and financial shared services are further rolled out. Details of the status of financial and IT internal controls are included in the Audit Committee report on page 70.

For more information on the internal control environment see page 53.

### Going concern

The Directors have a reasonable expectation that the Group will be able to operate within the level of available facilities and cash for the foreseeable future and accordingly believe that it is appropriate to prepare the financial statements on a going concern basis. In assessing the basis of preparation of the financial statements for the year ended 31 December 2019, the Directors have considered the principles of the Financial Reporting Council’s ‘The UK Corporate Governance Code 2018’ (the Governance Code), provision 30, namely assessing the applicability of the going concern basis, the review period and disclosures.

The Directors have undertaken a rigorous assessment of going concern and liquidity including financial forecasts, for a period of 12 months from the date of approval of these financial statements, that reflect reasonable possible downsides.
In order to satisfy themselves that the Group has adequate resources for the future, the Directors have reviewed the existing debt levels, the committed funding and liquidity positions under debt covenants, and the Group’s ability to generate cash from trading activities. The Group’s principal debt facilities comprise a $297.6m term loan repayable in October 2020, a $1,750.0m revolving credit facility maturing in 2022, $300.0m of bilateral term loans maturing between September 2021 and May 2022 (of which $200.0m was put in place in January 2020) and $879.9m of US private placement debt repayable in various tranches between 2021 and 2031.

At 31 December 2019, the Group had net current liabilities of $262.0m and this is largely due to term loans of $297.6m falling due in October 2020 being classed as current liabilities. The cash flow forecasts show that the Group will have sufficient funds to meet its liabilities as they fall due. The $297.6m term loan repayable in October 2020 was reduced by $111.0m following the disposal of the industrial services business in February 2020 and the remaining balance was repaid following receipt of the $200.0m bilateral loan facilities. The nuclear disposal will generate an additional cash inflow of around £241m ($319m). As highlighted in note 30, management have reclassified these businesses as held for sale given that it expects a deal to sell these businesses to be concluded within 12 months of the balance sheet date.

At 31 December 2019, the Group had headroom of $1,156.7m under its main facilities and in addition had $229.3m of other undrawn borrowing facilities. In undertaking their going concern review the Directors have considered the business plans which provide financial projections through to the end of March 2021.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### Viability statement

In accordance with provision 31 of the Governance Code the directors have assessed the Group’s viability over a three-year period to 31 December 2022 and modelled the impact of the risks over a five year period to 31 December 2024.

The process of establishing the period over which the Group’s viability has been assessed is subjective and considers a range of factors, all of which are indicative of slightly different time frames.

In making their assessment the directors have considered these factors both individually and in aggregate and have decided that, on balance, three years was the most appropriate period.

As at March 2020, the Group has in place a package of multi-currency revolving facilities incorporating a $1.75bn revolving credit facility (expiring in May 2022), three term loans totalling $0.3bn (expiring between October 2021 and May 2022) and US private placement (USPP) debt of $0.9bn (which have a mix of between 1-12 year maturity dates with 87% expiring after 2022). These are set out in note 17 to the Group financial statements.

In making their assessment of a three-year period the directors have assumed that the $2.2bn of debt facilities (comprising of the term loans, the revolving credit facility and a portion of the US private placement) which expires within the 3-year period is renewed or replaced and the other current committed financing remains available. The directors believe that it is reasonable to assume that the debt facilities will be renewed or replaced either in full or in part, well in advance of the expiry date.

The committed long-term financing together with factors such as the Group’s asset light and flexible business model, the Group’s strategic and planning cycle and the visibility of operational backlog led the directors to select a period of three years to assess the Group’s viability.

In order to make this assessment, the Board considered the current trading position and reviewed a number of future scenarios which stress-tested the viability of the business in severe but plausible scenarios. These scenarios considered the potential financial and operational impacts of the Group’s principal risks and uncertainties arising and the degree of effectiveness of mitigating actions. As indicated in the table on pages 48 to 49, these included, individually and in combination, failure to complete the divestment of the nuclear business, multi-year reductions in demand, project execution and contracting risk, revenue growth risk, the impact of a catastrophic safety or cyber security incident, the fines and damage sustained by an ethical, regulatory or data breach or a substantial litigation.

Based on the modeling performed, the Board’s assessment was that the strength of our balance sheet, the flexibility of our business model and the mitigating actions available meant that in all plausible scenarios considered the business would continue to be viable for at least three years. Mitigating actions would include reduction of discretionary spend on bonuses and capex, reduction in dividend and further disposals.

Based on this assessment, the directors have a reasonable expectation that the Group will be able to continue in operation and meet all its liabilities as they fall due up to 31 December 2022.
Analysis of principal risks

Strategic

Market expectation for sustainable growth
Risk profile
The business fails to grow in line with capital market expectations and fails to address energy transition and sustainable infrastructure.

Mitigation, monitoring and assurance
- Deployment of win plan process and training across business development community to identify and align win themes, differentiators, and Wood’s value proposition
- Continual review and trending of opportunity pipeline in consolidated CRM system
- Screening process to identify and review business development opportunities to prioritise the opportunities to pursue and to identify revenue synergies prior to receipt of the tender
- BU Strategy & Development Quarterly Review Meetings (GRMs) attended by the Chief Executive and Group CFO
- Scenario analysis on energy transition and sustainable infrastructure to inform group strategy
- Periodic performance assessments and rationalisation of our portfolio

Failure to meet our ESG responsibilities
Risk profile
Not meeting our environmental, social and governance (ESG) responsibilities leads to the business becoming an unattractive investment proposition.

Mitigation, monitoring and 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 Committee and Board
- Strategy paper on the value of sustainability, covering environmental and social responsibilities, presented to the ELT
- Work ongoing to finalise and ratify voluntary ESG targets for the business
- Proposal agreed to extend remit of SABE Committee to include Board oversight of sustainability aspects
- Safety performance is a long-standing component of bonus schemes

Deleveraging
Risk profile
Delay in achieving our 0.5-1.5 times net debt: adjusted EBITDA target. Achieving this will require cash generation to repay debt, the completion of strategic disposals, and profit generation. The risk has decreased with the sale of the nuclear and industrial services businesses in Q1 2020.

Mitigation, monitoring and assurance
- Target business cash performance and ongoing monitoring via a Group-wide cash campaign
- Implementation of a short-term cash flow forecasting tool for ASA, to be rolled out to ASEAAA and TCS in 2020
- Monthly BU and ELT reviews of debt and cash performance and Board reviews
- Designated process for governance of capital expenditure on fixed assets and integration PLUS programmes
- Established processes for monitoring of working capital
- Target improvement in day sales outstanding
- Credit policy in place with monthly reporting process
- Monthly monitoring and reporting of aged debt including any unbilled amounts
- Identification and sale of non-core assets including the sale of the nuclear and industrial services businesses in Q1 2020

Commercial and Operations

Contracting
Risk profile
Weaknesses in the contract bidding and award process, inappropriate pricing, misalignment of contract terms, or failure to comply with contractual conditions could lead to reputational damage, or poor financial performance. This risk has decreased due to more consistent application of governance processes.

Mitigation, monitoring and assurance
- Updated contracting policy and associated approvals process
- Tender governance process including tender review committee
- Focus on overall lump sum profile
- Increased focus on lump sum contracts via quarterly project reviews
- Introduction of lump sum (and other high risk) contracts policy providing additional control over the pursuit of lump sum contracts
- Introduction of commercial intervention team in order to strengthen in-house claims capability and provide input on effective project commercial set up

Project execution
Risk profile
Ineffective project start-up, new country entry or failure to successfully execute projects safely and to expected quality, on time and within budget.

Mitigation, monitoring and assurance
- Start up, project management, technical and resourcing execution plans for key projects supported by monitoring and reporting
- Group strategic projects team assist 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
- Project governance standard with cascading project reviews including quarterly BU Project and Risk Review meetings attended by the Chief Executive and Group CFO
- Execution excellence programme supporting consistent project delivery through an common operating model, standardised delivery applications and project management academy

Attract, retain, deploy and assure competency of critical staff
Risk profile
Failure to attract, retain, deploy and assure the competency of critical staff to key projects, which would lead to insufficient capability and leadership to deliver growth.

Mitigation, monitoring and assurance
- End-to-end recruitment platform, iCIMS, across Wood to optimise internal and external recruitment activities
- Critical Position Resourcing reviews used at BU level to highlight key vacancies and establish pipelines for future demand
- Succession planning exercise carried out across the Group with development plans in place for high performing employees
- Employee engagement survey completed with follow-up focus groups and action plans developed to address key themes
Strategic report

Health, Safety, Security & Environment (HSSE)

Major incident

Risk profile
Significant HSSE event (including a pandemic) leading to a major incident resulting in multiple loss of life, significant harm, damage to the environment and damage to our reputation.

Mitigation, monitoring and assurance
• HSSEA Framework Standard setting out clear standards for HSSEA management across Wood aligned to ISO standards
• Consolidation and simplification of HSSEA management system elements through the deployment of Wood’s Safety Shield
• Clear and enforced Life Saving Rules covering critical risks underpinning safe working processes and clear safe working behaviours in the Wood’s Safety Essentials
• Live incident monitoring/reporting/alerting/management through our Corporate Analysis and Incident Reporting System (CAIRS)
• Group Incident Review Panels for breaches of Life Saving Rules, high potential and high severity incidents
• Group Operations Assurance team focused on Technical, Quality and HSSE areas and assurance against standards
• Review of safety performance by ELT and the Board

Technology

Cyber security

Risk profile
Impact on the confidentiality, integrity or availability of Wood or client data or disruption to Wood business operations through malicious activity, unauthorised access, cyber-attack and/or physical or environmental event.

Mitigation, monitoring and assurance
• Dedicated security, governance, risk and compliance team led by Chief Information Security Officer
• Delivery of a maturing Information Security Management Framework that combines technical and process controls with colleague awareness
• Consolidated IT security policy/standards and Acceptable Use policy
• Utilisation of next generation perimeter security and advance detection capability
• Improved cyber security incident & event management, including a “phishing” alarm in the Group email system
• Security Operations Centre enabling 24/7 detect and respond capability
• Expansion of cyber awareness and education programme
• ELT monthly reporting and Board review
• Crisis management exercise completed with ELT focused on a cyber incident

Compliance and Litigation

Major regulatory investigation

Risk profile
Regulatory investigation or proceedings resulting from non-compliance with applicable legislation, including ongoing investigations into the historic use of agents and in relation to Unaoil, which could lead to consequences including financial exposure, penalties and reputational damage.

Mitigation, monitoring and assurance
• Suite of Wood policies that mandate compliance with applicable laws and policies
• Assurance framework across technical and non-technical business processes
• Robust compliance programme including our Code of Conduct and specific requirements around the appointment and management of commercial intermediaries. In 2019, achieved a reduction in active sales agents and national sponsors and a reduction in total commercial intermediaries
• Group Legal and Group Compliance teams provide support and guidance to the business

Governance

Major regulatory investigation

Risk profile
Regulatory investigation or proceedings resulting from non-compliance with applicable legislation, including ongoing investigations into the historic use of agents and in relation to Unaoil, which could lead to consequences including financial exposure, penalties and reputational damage.

Mitigation, monitoring and assurance
• Suite of Wood policies that mandate compliance with applicable laws and policies
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• Group Legal and Group Compliance teams provide support and guidance to the business

Litigation

Risk profile
Legal action can result from a major incident, a major regulatory investigation, contracting issues, or project execution. Failure to manage litigation can lead to increased claims, damages, fines and penalties.

Mitigation, monitoring and assurance
• Controls over major incident, major regulatory investigation, contracting, and project execution risks
• Policies for management of litigation
• Group Legal team with experience in litigation supported by external specialist lawyers where necessary
• Group Litigation report provided to the ELT on a monthly basis and to the Board on a quarterly basis
• Regular review of significant and pending litigation with the Board, Chief Executive, Group CFO, and BU leadership

Data protection and privacy

Risk profile
Failure to ensure ongoing compliance to the EU General Data Protection Regulation (GDPR) and other data protection regulations.

Mitigation, monitoring and assurance
• Ongoing Data Privacy programme delivering improvements to enable the business to identify, assess and maintain compliance with GDPR and other international data privacy regulations
• Dedicated Data Privacy team with Group Data Protection Officer (DPO) in place
• Data Protection steering committee with representation from key functions and Data Privacy network identified and regularly informed
• Data protection system which contains processing and assessment information in compliance with GDPR

Board assessment of change in risk from 2018:

▲ Risk has increased since 2018 ▼ No change in risk since 2018 ▼ Risk has decreased since 2018

✓ Considered as part of viability assessment ✓ New