subsea 7

SUBSEA 7 S.A.
ANNUAL REPORT 2021

subsea 7

CONTENTS

Strategic report

2 Chairman's Statement
4 Chief Executive Officer's Review
6 Our Business Model
8 Our Markets
10 Our Strategy
16 Business Review
18 Sustainability
24 Risk Management

Governance

37 Governance Overview
38 Board of Directors
40 Executive Management Team
42 Corporate Governance Report

Consolidated Financial Statements

52 Financial Review
60 Consolidated Financial Statements

Subsea 7 S.A. Financial Statements

140 Subsea 7 S.A. Financial Statements

Glossary

153 Glossary
155 Additional Information

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2021 FINANCIAL PERFORMANCE

REVENUE
$5.0BN
2020: $3.5BN

ADJUSTED EBITDA
$521M
2020: $337M

CASH AND CASH EQUIVALENTS
$598M
2020: $512M

DIVIDENDS AND SHARE REPURCHASES
$93M
2020: $10M

NET INCOME
$36M
2020: $(1.1)BN

DILUTED EARNINGS PER SHARE
$0.11
2020: $(3.67)

BACKLOG
$7.2BN
2020: $6.2BN

ORDER INTAKE
$6.1BN
2020: $4.4BN

OUR VISION

To lead the way in the delivery of offshore projects and services for the energy industry

Discover online how we are fulfilling our vision.
Visit www.subsea7.com

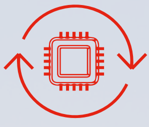
OUR VALUES

Safety
Performance
Integrity
Collaboration
Sustainability
Innovation

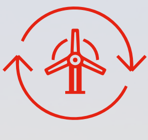
Understand how our Values help drive our performance on page 3

OUR STRATEGY

In an evolving energy sector, we create sustainable value by being the industry's partner and employer of choice in delivering the efficient offshore solutions the world needs



SUBSEA FIELD OF THE FUTURE – SYSTEMS AND DELIVERY



ENERGY TRANSITION – PROACTIVE PARTICIPATION

Information on our strategic priorities and progress is set out on pages 10 to 15

OUR DIFFERENTIATORS

Culture
Creativity
Relationships
Reliability
Solutions

Learn more about what differentiates our approach to business on page 11

OUR STAKEHOLDERS

Delivering sustainable value for our stakeholders

See how we create better outcomes for our stakeholders on pages 6 and 7

Kristian Siem
Chairman

POSITIONED TO CREATE LONG-TERM VALUE FOR OUR STAKEHOLDERS

Subsea 7 delivered an acceptable performance in 2021 that reflected the early stages of a recovery in the oil and gas industry and continued progress in the offshore wind sector, against a backdrop of challenges relating to the Covid-19 pandemic.

TO THE SHAREHOLDERS OF SUBSEA 7 S.A.

Group revenue increased 45% to $5.0 billion due to higher activity in both the subsea and renewables businesses. Group Adjusted EBITDA of $521 million resulted in a margin of 10%. Diluted earnings per share were $0.11, an improvement from the loss of $3.67 per share in 2020.

Order intake increased 39% to $6.1 billion, compared with $4.4 billion in 2020, with a strong contribution from Subsea and Conventional as the recovery in oil and gas prices supported decisions by our clients to increase offshore field developments.

ENTERING A LESS CAPITAL-INTENSIVE PHASE IN SUBSEA AND CONVENTIONAL

As the current early-stage recovery in the subsea market evolves we expect our existing backlog of work, plus anticipated new orders, to drive a recovery in our Subsea and Conventional business unit. In particular, higher levels of later-cycle offshore activity over the longer term should drive an expansion of margins. Subsea 7 is a global player and well represented in the improving markets of Norway, Brazil and Gulf of Mexico.

At the same time, we anticipate Subsea and Conventional will enter a phase with much-reduced requirement for capital investment. Following the delivery of *Seven Vega* in 2020, Subsea 7 has a comprehensive fleet of young vessels that will enable us to win market share and execute projects safely and efficiently without the need for incremental new build capacity.

While a focus on capital discipline by many of our clients may limit the upcycle in the subsea market, a more sustained and healthy level of industry activity, combined with an anticipated low level of investment in vessel capacity by the industry, suggests a positive long-term dynamic for the market.

We are confident that the favourable outlook for the subsea industry, combined with the strong competitive positioning of Subsea and Conventional, leaves us poised for a new phase of value creation for our shareholders.

UNLOCKING VALUE IN RENEWABLES

Subsea 7 made a step change in its energy transition strategy through the combination of its offshore wind farm construction business with OHT ASA to create Seaway 7 ASA, a market-leading, pure-play, renewables company. Its listing on the Euronext Growth market enables a standalone valuation for Subsea 7's Renewables business unit and gives it direct access to debt and equity markets to fund growth opportunities.

When appropriate, we expect Seaway 7 ASA to migrate to the main market in Oslo, with an associated increase in its free float. We intend to take advantage of opportunities for the further development of our renewable activities in an industry which is likely to experience strong growth for many years.

EXPANDING OUR COMMITMENT TO SUSTAINABILITY

Subsea 7 holds Sustainability as one of its core Values and during the year we made an important commitment to align with the UN Paris Agreement goal to target Net Zero emissions by 2050. With over 90% of our Scope 1 and 2 emissions coming from our vessels, a great deal of work was undertaken to identify the technologies that will help us decarbonise our operations. We have established a pathway to target Net Zero by 2050, with an interim goal of a 50% reduction in our carbon emissions by 2035. We will be reporting on our progress in the Sustainability Report each year.

The Company's third Sustainability Report is published concurrently with this Annual Report. We are proactively engaged in improving our position with key sustainability rankings through enhanced disclosures and we note recent progress made in this area, showing improvements each year since inception. In addition, we continue to make progress in aligning our disclosures with the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD).

DEFINING OUR POLICY OF SHAREHOLDER RETURNS

2021 saw the capital requirements of our two business units diverge, with Subsea and Conventional entering a phase characterised by low reinvestment, while Renewables increased its commitment to new build installation capacity ahead of the anticipated growth in the fixed offshore wind market.

Listing the Renewables business as Seaway 7 ASA allows us to transition to an independent capital structure for this growth business. It also enables us to establish a policy regarding the allocation of free cash flow from the Subsea and Conventional business unit.

The Board recognises the merits of establishing a regular dividend at this point in the evolution of the Group and recommends that, at the AGM on 12 April 2022, shareholders approve a dividend of NOK 1.00 per share, equivalent to $33 million. The return of excess cash in the form of a special dividend or share repurchase will continue to be assessed by the Board annually. In 2022, reflecting the current valuation of Subsea 7 shares, the Group intends to distribute approximately $70 million through share repurchases.

MY THANKS

On behalf of the Board of Directors, I am grateful to all our teams at Subsea 7 for their contributions in the delivery of the Group's solid operational performance during another year in which we operated amid a global pandemic. Particular thanks go to our offshore crews, who have continued to contribute to the delivery of projects safely and efficiently despite challenging travel logistics and long periods away from their families. The pandemic has affected everyone, our operations more than many, and it has been costly for the Group. The 'can do' attitude of our people has been exemplary and crucial to the operating results.

I thank our shareholders for their ongoing support during a year of uncertainty and volatile equity markets, and for their confidence in our long-term strategy for value creation in both the subsea and renewable energy industries.

Kristian Siem
Chairman

OUR VALUES

SAFETY

Our goal is an incident-free workplace. We work every day, everywhere to make sure all our people are safe.

PERFORMANCE

We are driven to achieve the outcomes our clients want. We are trusted to achieve superior performance from every project.

INTEGRITY

We apply the highest ethical standards in everything we do. We treat clients, our people, partners and suppliers fairly and with respect.

COLLABORATION

We work closely and openly together with clients, partners and suppliers at a local and global level to deliver safer and stronger results for all.

SUSTAINABILITY

We take a proactive approach towards our social responsibilities, mitigate the impact of our activities on our planet's environment and respond to the effects of climate change.

INNOVATION

We create smarter and simpler solutions to meet the industry's needs. We combine technology, expertise, assets and partnerships to deliver projects in new ways.

John Evans
Chief Executive Officer

IN THE EARLY PHASE OF A RECOVERY

Subsea 7 delivered a solid operational and financial performance in 2021 supported by improving oil and gas prices and enabled by work practices that have adapted to the ongoing challenges posed by the Covid-19 pandemic.

Our Subsea and Conventional business experienced an increase in activities associated with the early stages of a recovery in the oil and gas industry, including a sharp upturn in tendering activity and greater demand for our engineering services. Our Renewables business, which had proved somewhat more resilient during the global economic downturn of 2020, continued to make good progress although issues largely related to Covid-19 delayed certain projects in Taiwan.

A SOLID PERFORMANCE AMID A GLOBAL ECONOMIC RECOVERY

Overall Group revenue increased 45% to $5.0 billion driven by growth in both business units. Revenues in Subsea and Conventional increased 33% but the Adjusted EBITDA margin fell to 13% from 15% in 2020, reflecting the shift in mix towards earlier-stage activities. Revenues in Renewables doubled as activity on the major Seagreen project increased but margins remained low due to challenges in Taiwan. Overall, the Group's Adjusted EBITDA increased 55% to $521 million.

Following the recovery in tendering activity, new order intake was strong in 2021 at $6.1 billion, up 39% compared with the prior year. Significant new awards included the major Bacalhau and Mero-3 projects in Brazil, and the fast-track development of the large Sakarya gas field in Turkey. These were supplemented by the conversion to full EPCI of the Scarborough project in Australia and several awards in Norway where tax incentives are beginning to yield higher activity. Furthermore, in Brazil, we were awarded new three-year contracts for our pipelay support vessels (PLSVs), enhancing our long-term revenue visibility.

Cash generated by the Group was adversely affected by an increased investment in working capital of $202 million driven mainly by extended payment terms in certain regions. The build in working capital is a planned and temporary phenomenon which we are confident will fully reverse as these projects progress given the low counterparty risk associated with our client base.

DELIVERING PROGRESS ON OUR TWOFOLD STRATEGY

Our strategy for the subsea field of the future, as well as for energy transition, played a crucial role in the successful outcome of many recent tenders in the Subsea and Conventional business unit. In 2021, 60% of our SURF contract awards by value featured early engagement, 62% included integrated solutions and 64% leveraged our Carbon Estimator to deliver optimised developments for clients.

These statistics support our view that by working closely with our clients from concept through to commissioning we can deliver optimised subsea solutions that maximise clients' returns, while reducing emissions.

In energy transition, we made significant progress in both the established renewables market and emerging energy sectors. The formation of Seaway 7 ASA created a market leader in fixed offshore wind with a comprehensive fleet and experienced management team. With two high specification new builds scheduled for delivery in 2023, Seaway 7 ASA is well-positioned to capture an enhanced share of this high-growth market. Although it will be largely financially independent, Seaway 7 ASA will retain a close relationship with Subsea 7, which will retain majority ownership and will support the new business as it makes progress on the pathway to delivering sustainable, profitable growth.

Our strategy in emerging energies was also reinforced in 2021 through a step up in our participation in floating wind and our first award in carbon capture. Our acquisition of a majority stake in Nautilus Floating Solutions has given us direct involvement in the development of floating wind technology, positioning us well for this high-potential market. During the year, we won our first carbon capture contract, part of the Northern Lights project in Norway. The total offshore carbon capture market is expected to surpass $5 billion per annum by 2025[1], with strong growth thereafter, making it an important part of Subsea 7's strategy to be a proactive participant in the energy transition.

A POSITIVE OUTLOOK FOR OUR SERVICES ACROSS THE ENERGY LANDSCAPE

Through the implementation of its strategy for the subsea field of the future, alongside its proactive participation in energy transition, Subsea 7 is well-positioned for both near-term and long-term growth across the spectrum of energy markets. The Subsea and Conventional business unit will leverage a young fleet that is capable of harvesting opportunities as the recovery in oil and gas markets evolves, with reduced requirements for reinvestment. The Renewables business unit, through Seaway 7 ASA, is poised to benefit from accelerating growth in the fixed offshore wind market that will see it deploy its new build installation vessels in 2023. Meanwhile, Subsea 7 will continue to nurture its emerging businesses in floating wind, carbon capture and other emerging energy markets as these mature.

1. Source: Rystad Energy CCS Solution

TARGET NET ZERO

MORE THAN

90%

of our emissions come from our vessels.

By

- Managing their performance
- Using new and cleaner technologies, fuels and energy sources to lower emissions at our operations and sites

From a baseline in 2018, our target is to

- Reduce our Scope 1 and Scope 2 emissions by 50% by 2035
- Target Net Zero greenhouse gas emissions by 2050

DIGITAL EFFICIENCY

We will reduce our emissions by managing the performance of our vessels through the use of digital tools

HYBRIDISATION/ SHORE POWER

We will reduce our emissions from how we power our vessels in two ways: install battery packs on certain vessels (hybridisation) and use clean electricity from shore to power certain vessels while docked (shore power)

CLEAN FUELS

We will reduce emissions by using fuels with reduced carbon footprint (e.g. bio fuels, synthetic fuels)

In addition, we will look into implementing changes and solutions available today as well as the deployment of new cleaner technologies as they become commercially available at scale in the market.

BOOK-TO-BILL

1.2

with $6.1 billion of new orders in 2021

Within Subsea and Conventional, Brazil will remain a strong focus following the award of Bacalhau, Mero-3 and the PLSV contracts in 2021. With a promising tendering pipeline of major greenfield projects, the region is likely to be a key driver of long-term growth. Norway will also continue to be a core market, as the significant increase in early-stage engineering activity that it experienced in 2021 is expected to translate into EPCI contract awards during 2022. Our strong position in the Norwegian market, including through our alliance with Aker BP, leaves us well-placed to capture a meaningful share of this important market. Finally, we anticipate continued demand for our cost-efficient, fast-payback subsea tieback solutions in the active Gulf of Mexico market.

After a hiatus in major awards for Subsea 7 and the industry in fixed offshore wind in 2021, we expect the high level of tendering in the Renewables business unit to yield major awards from 2022 onward. Europe is likely to remain a key market, with the next wave of projects expected to be awarded in the UK in July. The US is an exciting new market for fixed offshore wind, where the scale of the projects is pushing new boundaries that play into our strength and track record in executing large, complex projects. Several ongoing US wind tenders are due for award to the industry in 2022 and beyond. Further afield, we will take a cautious approach to near-term opportunities in Taiwan given the operating challenges experienced in 2021.

In conclusion, Subsea 7 is well-positioned for long-term growth in its services as we deliver the infrastructure required to move molecules and electrons across the energy landscape.

John Evans
Chief Executive Officer

FULL SERVICE ACROSS THE FIELD LIFECYCLE

Subsea 7 provides project management, engineering and construction expertise across the full field lifecycle. These services are delivered to clients across the energy landscape, in oil, gas, offshore wind and emerging energies.

CONCEPT

Input at the concept phase allows for optimisation of later lifecycle stages.

What we do

Being involved at the earliest stage of developments enables us to deliver maximum value, whether in oil and gas or offshore wind. The concept stage is key to lowering costs in the later lifecycle stages.

How we add value

We incorporate new technologies, fit for purpose solutions and standardisation into the concept design to lower the total cost of development.

DESIGN

Robust FEED ensures minimal change and accurate forecasting during design.

What we do

We deliver front-end engineering and design (FEED) for our clients. These services are essential in selecting the right solution to fully optimise the development.

How we add value

We work with our alliance and client partners to optimise solutions, align schedules and accurately forecast full lifecycle costs.

ENGINEER

Detailed engineering by experienced personnel delivers the best solution.

What we do

Engineering is at the core of what we do. Detailed engineering involves taking the initial solutions developed in the concept and FEED stage and refining these for execution. For EPCI wind projects, our engineering teams support clients in their bids for offshore licences.

How we add value

Our global teams of experts have a track record for designing the best solutions and executing them. This stems from our ability to solve problems and engineer solutions.

PROCURE AND FABRICATE

Efficient procurement and high-quality fabrication delivered on time.

What we do

Our teams are able to execute the large EPCI projects in all our business units and in all geographies. The scale and global reach of our supply chain management differentiates us.

How we add value

We have a clear understanding of the risks and opportunities that exist when working with a large, global supply chain network.

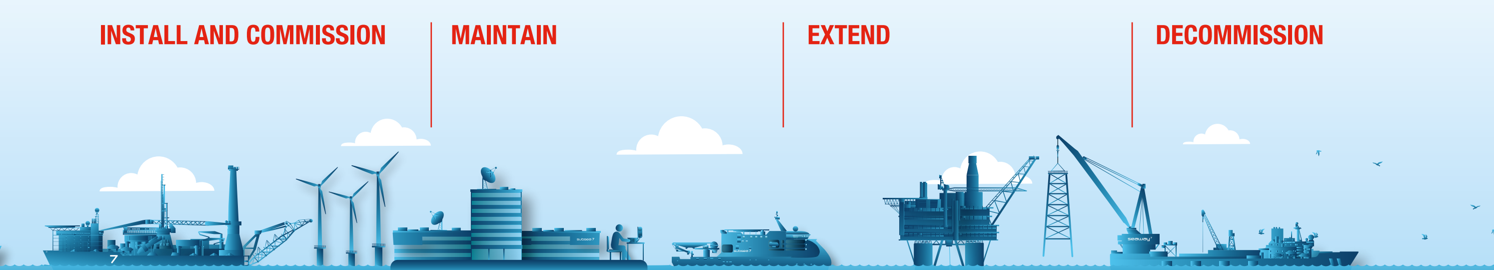
Creating better outcomes for our stakeholders

Our clients
Our collaborative way of working helps us to develop the best solutions for our clients' needs. We are able to lower our clients' costs by utilising our technology, our assets and efficient work processes. Our culture ensures good performance without compromising safety.

87
clients supported by Subsea 7 in 2021

Our shareholders
We seek to create long-term value for our shareholders in all that we do. We have a disciplined approach to capital allocation and a commitment to good governance. Through roadshows and conferences, we aim to communicate effectively with our existing and potential new shareholders.

320
meetings with investors in 2021



INSTALL AND COMMISSION

Safe, on-schedule and cost-efficient installation by world-class vessels.

We install and commission subsea infrastructure for hydrocarbon and new energy developments in all water depths. We install foundations and inner-array cables for fixed and floating wind farms.

Our fleet of high specification vessels allows us to install market-leading solutions. Our onshore and offshore experts have the experience to deliver these solutions safely and efficiently.

MAINTAIN

Effective and responsive maintenance, reducing the cost of ownership.

We specialise in maintaining offshore infrastructure through use of our fleet of ROVs. Our digital products and services help optimise maintenance and reduce downtime and unplanned outages.

We incorporate our maintenance knowledge and digital monitoring into the design of the field, lowering the total cost of ownership for our clients.

EXTEND

Return on investment maximised by utilising new technologies to extend the life of the field development.

We have a growing portfolio of technologies that enable clients to extend the life of their assets through production enhancement as well as the tie-in of satellite reserves.

Our technology portfolio offers a range of solutions for all field extension needs. We collaborate with partners across the supply chain to deliver these solutions.

DECOMMISSION

Facilitation of abandonment, decommissioning and re-use of infrastructure.

We have the capacity to undertake large-scale infrastructure abandonments in both oil and gas and wind markets.

We can manage all aspects of decommissioning projects including regulation, technology, environment, planning, execution and costs.

Our people
Our people are the foundation of our business. Our experts, onshore and offshore, can deliver solutions around the world, leading the industry in know-how and the ability to innovate. We invest in our people, giving them opportunities to learn and grow.

28,000
digital learning courses completed by our employees in 2021

Society
We engage with the societies we work in. Through local partnerships we create and develop local content opportunities, and contribute to the communities in which we work. With Integrity as a Value we have a zero tolerance attitude towards non-compliant business practices.

47
community assistance events delivered in 2021

UNDERSTANDING OUR OPERATING ENVIRONMENT

Subsea 7 is a global leader in the offshore energy industry, delivering engineering and project management services for oil and gas and offshore wind farm developments.

THE OIL AND GAS MARKET

Although commodity prices remained volatile in 2021, driven by concerns regarding new waves and variants of Covid-19, the overall direction was positive for most of the year. The Brent oil price began the year at around $50 per barrel, before reaching $76 in July, representing the highest level since 2018. Although there were some pullbacks later in the year as the Delta and Omicron variants emerged, the upward trend was driven by the underlying recovery in demand for oil, linked to the reopening of economies and international travel.

The European gas price experienced a gradual rally throughout the first eight months of the year. However, in the fourth quarter it rallied sharply, exceeding $30 per mmtbu driven by strong demand for LNG, numerous supply disruptions affecting LNG and nuclear power plants, falling European gas production, and low inventories in Europe with the winter heating season looming.

Demand for our subsea services

Despite this volatile backdrop, which reflected uncertainty regarding the pace of the global economic recovery, the market for Subsea and Conventional services remained robust throughout the year. Tendering activity, which had begun to recover in the second half of 2020, continued to increase, although it remained concentrated in Brazil, Norway and the Gulf of Mexico. The pace of contract awards gained momentum in 2021 and, overall, the three main players in Subsea 7's subsea market recorded order intake of $15 billion in 2021, up more than 20% from 2020.

Assuming no material change in the economic outlook, the market for Subsea and Conventional is expected to continue recovering in 2022 and beyond. The sharp rise in tendering, which had translated to higher early-stage engineering activity in 2021, should drive increased procurement activity in 2022 before ultimately leading to a pick-up in offshore activity and vessel utilisation later in 2023. During this period, new order intake is also expected to remain robust. As illustrated below, the global subsea market is expected to grow from $22 billion in 2021 to $25 billion in 2022 and $29 billion by 2025, equating to a compound annual growth rate of 7%.

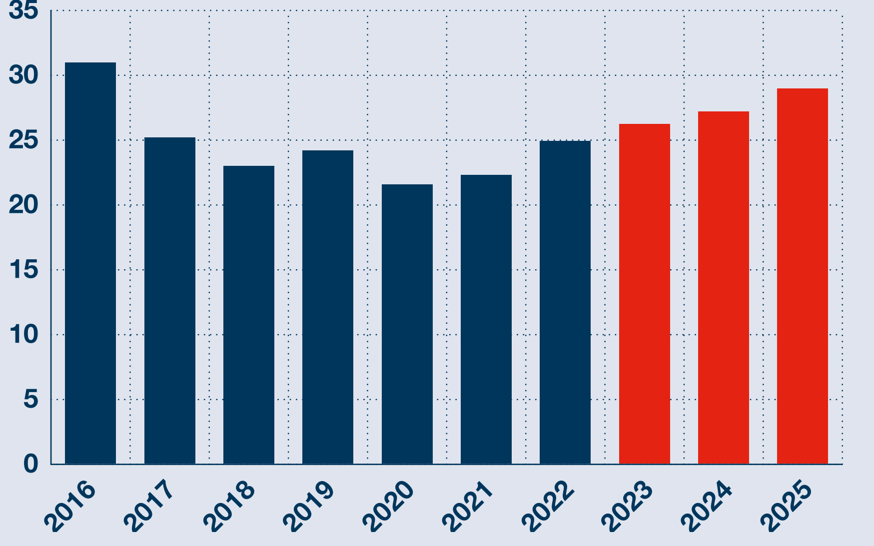
Long-term outlook for oil and gas

Subsea 7 is positioned across the energy landscape, enabling society's transition to a more sustainable future. Over the long term, we expect our exposure to renewable energy to increase, driven by fixed and floating wind, as well as emerging energy markets such as carbon capture and hydrogen. However, it is clear that the hydrocarbon industry will remain a key component of the energy mix under all likely transition scenarios. We anticipate sustained demand for our subsea services into the next decade with a growing emphasis on lower carbon gas, and an accelerating push to minimise the emissions footprint of our developments.

THE OFFSHORE WIND MARKET

Having proved resilient throughout 2020, tendering for fixed offshore wind farm projects accelerated in 2021 as political and social pressures to fast-track the transition to low carbon sources of energy intensified. In the core European market, the industry was poised for the next wave of major UK projects in June 2021, but the key Contracts for Difference Allocation Round 4 was repeatedly delayed by the UK government and is now expected in the second quarter of 2022. It is currently scheduled for July 2022, causing a year-long hiatus in project sanction and order intake from the region. In the US,

GLOBAL SUBSEA MARKET
Billion USD



Actual

Forecast

Source: Rystad Energy, January 2022

the list of prospective major wind projects off the North East coast increased during 2021 and the first three projects were awarded to the market. More than 12 projects are currently in the planning stages in the US market, representing 20 gigawatts of power, equivalent to around 40% of the currently installed global offshore wind base. The main challenge for this market remains the inclusion of local content in development plans, the maturity of the supply chain and navigation of the Jones Act and the use of non-US vessels in US waters.

Overall, the outlook for capital expenditure in the fixed offshore wind market remains very strong, with a compound annual growth rate of 16% estimated between 2020 and 2035. The step up in activity forecast in 2025 is translating to demand from clients to begin firming up installation capacity, and this is expected to lead to an improvement in pricing and higher long-term vessel utilisation. As European, US and Asian markets each gain critical mass it is envisaged that the industry will begin to dedicate vessels to particular regions resulting in reduced transit times between projects with a further benefit to utilisation and reduced costs.

As wind farm developments move further away from shorelines and as countries with deeper territorial waters begin to participate in the wind industry, floating wind is expected to become a more meaningful part of the market. While the industry remains in its infancy today with just a handful of pilot studies, developers and contractors are accelerating efforts to improve the economics of floating wind and advance commercial-scale projects. The oil majors, which became increasingly active in the offshore wind industry during 2021, have shown strong interest in floating wind given the plethora of applications relevant to their broader energy portfolios including off-grid power for oil and gas developments and a key source of renewable energy for the production of green hydrogen.

OUR SUPPLY CHAIN

There has been increasing concern about the impact of raw material price inflation and widespread supply chain bottlenecks across many sectors of the global economy. Towards the year end, the cost of key components necessary for both oil and gas, and wind development increased rapidly, predominantly driven by higher steel and copper prices. Manufacturing capacity for certain products also began to tighten, pushing prices higher. The cost of key components and equipment such as flowlines, umbilicals and pipelines increased between 25% and 35% in 2021.

Subsea 7 mitigated the risk of price inflation through various contractual mechanisms including back-to-back supplier pricing and index-linked pricing. The early engagement and close collaboration with our clients that is a core part of our strategy proved to be a key advantage in providing our clients with the visibility of prices and capacity required to enable successful project delivery.

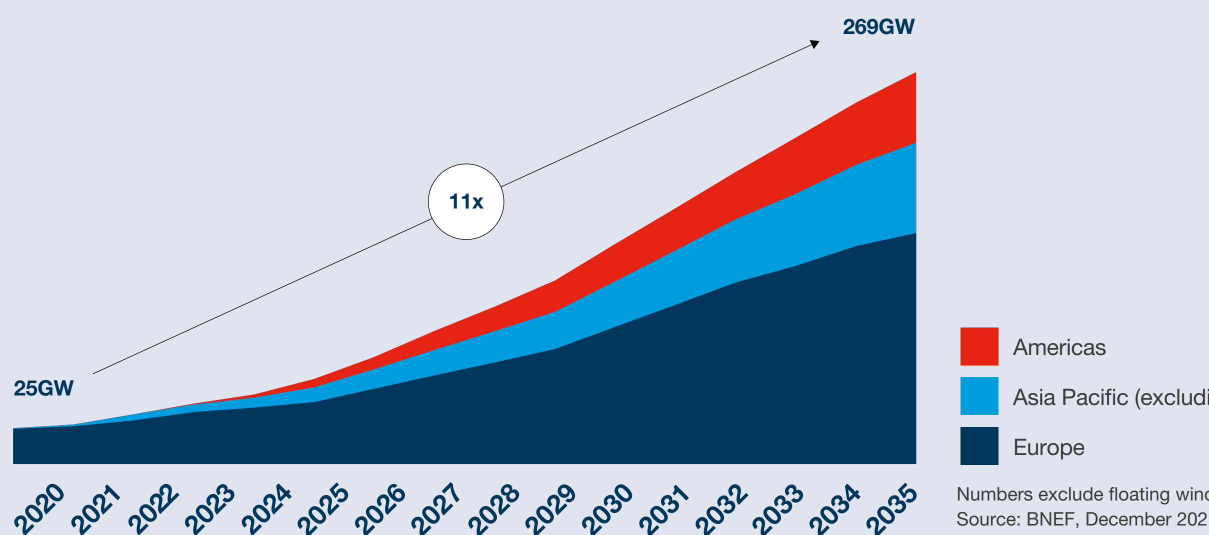
COVID-19 IMPACT

Subsea 7's operations continued to be impacted by the Covid-19 pandemic in 2021, but our embedded new work practices allowed us to deliver projects for clients while preserving our focus on safety and wellbeing.

During the year, most of our vessels' crews remained on extended offshore rotations, with strict quarantine and testing regimes. Over the course of the year, our crews undertook over 78,000 Covid-19 tests and spent over 116,000 days in quarantine. Vaccinations were rolled out across our fleet and 90% of our offshore workforce were vaccinated by year-end. Our onshore operational bases and fabrication sites adopted flexible plant layouts, reflecting local regulations for social distancing.

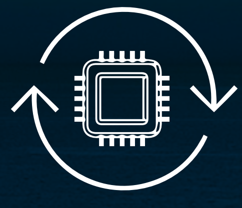
These precautions continued to come at a financial cost in terms of both direct expenses and as indirect costs of unavoidable inefficiencies. Nevertheless, throughout the year, we remained impressed by the agility and resilience shown by our employees in adapting to the new reality and continuing the safe delivery of projects.

GLOBAL OFFSHORE WIND MARKET
Cumulative installations (GW)

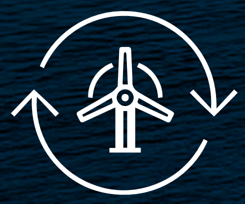


Numbers exclude floating wind
Source: BNEF, December 2021

WE HAVE TWO CLEAR STRATEGIC GOALS:



SUBSEA FIELD OF THE FUTURE – SYSTEMS AND DELIVERY



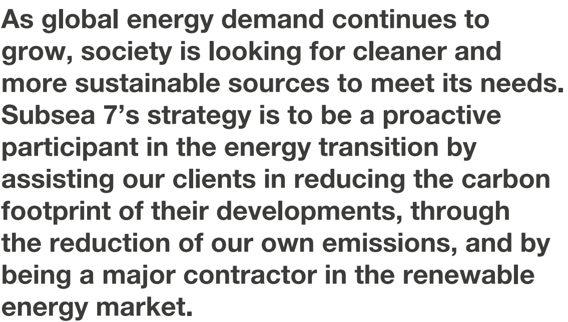
ENERGY TRANSITION – PROACTIVE PARTICIPATION

OUR DIFFERENTIATORS

We add value to our clients' businesses as we support them with cost-effective solutions enabled by technology

Subsea 7 is differentiated by our collaborative working relationships and our ability to develop creative solutions. We have taken this to the next level with our ambition for the subsea field of the future, which aims to create value by further improving our solutions and the way we deliver them.

During 2021, we achieved significant progress in several aspects of this strategy with major integrated awards preceded by significant early engagement activity. We also had notable success installing our new state-of-the-art flowlines.



As global energy demand continues to grow, society is looking for cleaner and more sustainable sources to meet its needs. Subsea 7's strategy is to be a proactive participant in the energy transition by assisting our clients in reducing the carbon footprint of their developments, through the reduction of our own emissions, and by being a major contractor in the renewable energy market.

In 2021, we made a step change in our renewables strategy, while our focus on reducing emissions intensified.

Read more about our strategy in action from page 12

CULTURE

Global team with expertise, passion and commitment to deliver. Our Values are strongly embedded and underpin the behaviours and ways of working of our teams. Our people take great pride in living our Values and applying them consistently across our global operations.

CREATIVITY

Ability to innovate through technology, processes and partnerships. We embrace new challenges, and apply our expertise and experience to generate technical, commercial and operational solutions, which benefit all our stakeholders.

RELATIONSHIPS

Working and learning together to achieve success for all. We have built long-standing client and supplier relationships through consistent high-quality delivery, transparency and adaptability. We respond to what our clients need to support them in creating long-term value.

RELIABILITY

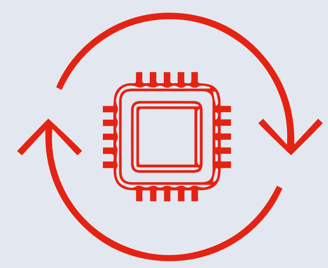
Trusted partner in delivering projects. We are proud of the execution track record that keeps our clients coming back, with over 1,000 projects successfully executed in all water depths worldwide. Our reliability is enhanced by our secure financial profile and liquidity position.

SOLUTIONS

Client-focused mindset to create the right solution. Our clients rely on us to develop fit for purpose solutions that reliably meet project requirements. We deliver these solutions whether for complex programmes or for small, standardised projects or services.

SUBSEA FIELD OF THE FUTURE – SYSTEMS AND DELIVERY

Subsea 7 is differentiated by our collaborative working relationships and our ability to develop creative solutions. We are taking this to the next level with our ambition for the subsea field of the future, which aims to create value by further improving our solutions and the way we deliver them.



Our ambition for the subsea field of the future is based on four pillars:

EARLY ENGAGEMENT AND PARTNERSHIPS

Early engagement has been a highly-successful element of our subsea field of the future strategy. We have executed more than 340 front-end engineering and design (FEED) studies. In 2021, 60% of our subsea order intake by value included early engagement with the client to influence the development and add value. In 2021, seven out of 10 projects awarded to Subsea 7 in Norway were the result of partnerships, and the level of early engagement activity on partnership projects remains high. This should lead to further EPCI awards in 2022.

SYSTEM INNOVATION AND ENABLING PRODUCTS

System innovation and enabling products leverage our technology to enable the standardisation and modularisation that underpins our cost-effective solutions. In 2021 we successfully commissioned our first Electrically Heat-Traced Flowlines, our new technologically advanced pipeline that helps reduce emissions by eliminating the need for standalone surface facilities. 2021 also saw the introduction of Glubi clad reeled pipeline and its first use on the Aker BP Hod project. We also standardised and streamlined the production of our pipeline bundles to reduce the time from concept to delivery.

INTEGRATED SPS AND SURF

We have embraced the integration of SPS and SURF solutions through Subsea Integration Alliance, our strategic global alliance with OneSubsea®, as well as through our partnership with Aker BP in Norway. The continuous focus on strengthening this offering has firmly positioned us as one of only two fully integrated suppliers with a global presence. Working as an alliance facilitates standardisation and optimisation of systems across the full subsea spectrum, further differentiating our services. Since January 2020, Subsea Integration Alliance has won 76% by revenue of the industry's integrated projects.

DIGITAL DELIVERY OF PROJECTS AND SERVICES

Our digital efforts extend across the full project lifecycle from concept through operations to decommissioning. They are key to creating a connected and collaborative environment for our clients, as well as unlocking cost reductions. In 2021 we completed a second phase of a pilot which will standardise and automate significant parts of our project delivery while streamlining collaboration across regions and with partners and clients. We have installed secure data gathering architecture on several of our offshore vessels and shown how the insights obtained from this data can help us improve the efficiency of our offshore operations and reduce our environmental footprint.

EARLY ENGAGEMENT

60%

of 2021 SURF orders by value leveraged early engagement

INTEGRATED SOLUTIONS

76%

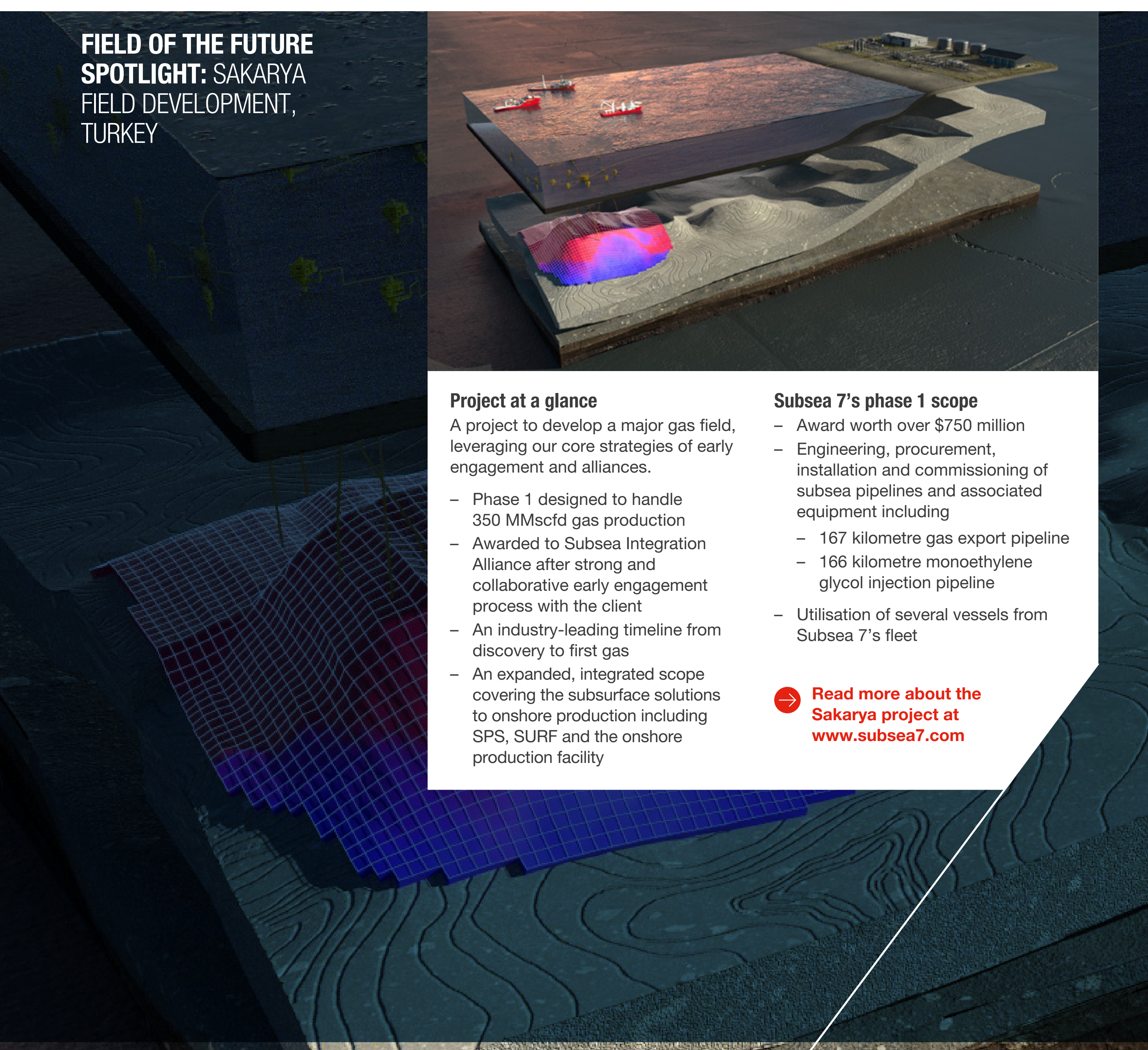
market share by value since January 2020

OUR PROGRESS THIS YEAR

- Conversion of Bacalhau FEED to full EPCI worth over $750 million. Brazil's first integrated SPS-SURF project
- Award of Sakarya as a fast-track, integrated project worth over $750 million
- Installation of three Electrically Heat-Traced Flowlines, our most technically advanced product to date
- Delivery and deployment of *Seven Vega*, marking the latest addition to our young and comprehensive fleet, which is well-positioned for the future

STRATEGIC PRIORITIES FOR THE YEAR AHEAD

- Expand capabilities to support our evolving early engagement service
- Pursue new client partnerships
- Continue to evolve the Subsea Integration Alliance offering
- Enhance the digitalisation of project delivery
- Support the growth of Xodus and 4Subsea



FIELD OF THE FUTURE SPOTLIGHT: SAKARYA FIELD DEVELOPMENT, TURKEY

Project at a glance

A project to develop a major gas field, leveraging our core strategies of early engagement and alliances.

- Phase 1 designed to handle 350 MMscfd gas production
- Awarded to Subsea Integration Alliance after strong and collaborative early engagement process with the client
- An industry-leading timeline from discovery to first gas
- An expanded, integrated scope covering the subsurface solutions to onshore production including SPS, SURF and the onshore production facility

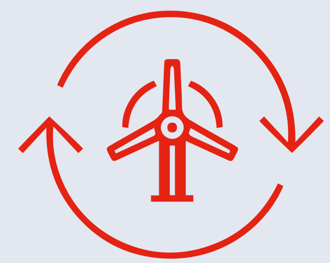
Subsea 7's phase 1 scope

- Award worth over $750 million
- Engineering, procurement, installation and commissioning of subsea pipelines and associated equipment including
  - 167 kilometre gas export pipeline
  - 166 kilometre monoethylene glycol injection pipeline
- Utilisation of several vessels from Subsea 7's fleet

Read more about the Sakarya project at www.subsea7.com

ENERGY TRANSITION – PROACTIVE PARTICIPATION

As global energy demand continues to grow, society is looking for cleaner and more sustainable sources to meet its needs. Subsea 7's strategy is to be a proactive participant in the energy transition by assisting our clients in reducing the carbon footprint of their developments, by reducing our own emissions and by being a major contractor in the renewable energy market.



Our ambition for proactive participation in energy transition is based on four pillars:

RENEWABLES – OFFSHORE WIND

Through Subsea 7's Renewables business unit, branded Seaway 7, we have built and installed nearly 800 foundations and laid over 1,200 kilometres of inner-array cables for fixed offshore wind farms worldwide. Our technical expertise combined with extensive track record in project and supply chain management puts us in a strong position to seize opportunities in this growing market. In 2021, this strategy made a step change with the creation of Seaway 7 ASA. More details are available on page 17. We also advanced our floating wind strategy through involvement in the Salamander pilot floating wind project and through the acquisition of a majority stake in Nautilus Floating Solutions.

EMERGING ENERGY – NEW MARKETS AND OPPORTUNITIES

We continue to advance our strategy for new energy markets such as carbon capture and hydrogen. In 2021 we were awarded our first EPCI carbon capture contract, part of the Northern Lights development offshore Norway. Through Xodus's advisory and technical capabilities we are supporting carbon capture as well as hydrogen developments across the globe, with 60 studies completed to date. With collaboration, partnerships and alliances firmly part of our DNA, we will look at opportunities to enhance our participation in these emerging markets.

OIL AND GAS – LOWER CARBON DEVELOPMENTS

As part of their own energy transition strategies, our oil and gas clients are increasingly focused on reducing the carbon footprint of their oil and gas developments. Our proprietary technology, engineering capability and digital solutions support them in developing fields more efficiently, with improved asset performance and lower carbon emissions at every stage of the lifecycle. Our Carbon Estimator tool achieved strong traction with clients during 2021 and is now a fundamental part of our engineering studies.

OPERATIONS – SUSTAINABLE AND EFFICIENT

We recognise the importance of continuing our focus on sustainable and efficient operations to reduce the carbon footprint of our own activities. In 2021, we committed to target Net Zero by 2050, with a 50% reduction in emissions by 2035. We are enhancing the efficiency of our vessels with the roll-out of our proprietary 4insight® software. This optimises uptime by combining satellite monitoring of sea states with machine-learning, to accurately predict our vessels' performance in different operating conditions.

30+

Renewables projects installed

60

Carbon capture and hydrogen studies performed by Xodus

OUR PROGRESS THIS YEAR

- Created Seaway 7 ASA, a pure-play, listed renewables company
- Won our first contract in carbon capture, Northern Lights, in Norway
- Acquired a majority stake in Nautilus Floating Solutions, a floating wind technology company
- Established a joint venture for the Salamander floating wind development, a pilot wind farm offshore Scotland
- Committed to target Net Zero by 2050 and the associated implementation plan

STRATEGIC PRIORITIES FOR THE YEAR AHEAD

- Support the growth of Seaway 7 ASA
- Secure pilot projects for Nautilus Floating Solutions
- Build on our early engagement capabilities in emerging energies through Xodus and Subsea 7's Field Development Group
- Secure further carbon capture awards
- Actively form collaborations and be part of the development of emerging energy ecosystems
- Implement the first stage of the fleet emissions reduction plan

RENEWABLES SPOTLIGHT
SEAWAY 7 ASA

The creation of Seaway 7 ASA

- The combination of Subsea 7's fixed offshore wind business and OHT ASA on 1 October 2021
- Pure-play, listed renewables company based in Oslo
- A global organisation with a track record of over 10 years and relationships with the majority of developers
- A comprehensive and differentiated fleet with enabling capabilities
- A single supplier of standalone, integrated or EPCI services including the installation of wind turbines, foundations, substations and heavy transportation

Priorities for 2022

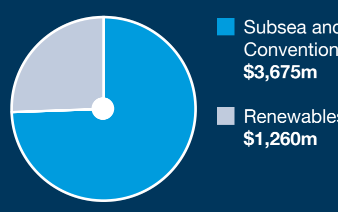
- Finalise the construction of *Seaway Alfa Lift*, our new build state-of-the-art foundation installation vessel
- Progress the construction of the industry-leading *Seaway Ventus* for delivery in 2023
- Install the remaining 104 foundations and 330 kilometres of inner-array cables on the Seagreen project
- Expand our project portfolio into the US market, subject to appropriate pricing and terms

Read more at www.seaway7.com

DELIVERING ACROSS OUR BUSINESS UNITS

Subsea 7 delivers its strategy for the subsea field of the future and its proactive participation in the energy transition through two business units. Subsea and Conventional is focused on the offshore oil and gas market, while Renewables is focused on fixed offshore wind.

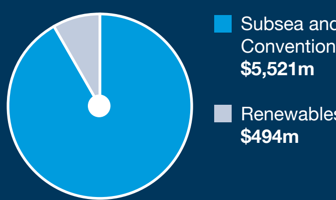
GROUP REVENUE



Subsea and Conventional **$3,675m**

Renewables **$1,260m**

ORDER INTAKE



Subsea and Conventional **$5,521m**

Renewables **$494m**

BACKLOG

Subsea and Conventional **$5,961m**

Renewables **$1,238m**

2021 STRATEGIC HIGHLIGHTS

- High share of the subsea industry's integrated order flow with 76% by value of the industry's awards since January 2020
- Successful commissioning of our first high-technology, Electrically Heat-Traced Flowlines in Norway and the US
- *Seven Vega,* our new state-of-the-art reel-lay vessel, completed its first pipelay campaigns
- First award in carbon capture, the Northern Lights project offshore Norway
- Completion of the combination of our fixed offshore wind business with OHT ASA to create Seaway 7 ASA
- Delivery of foundations and inner-array cables for the Seagreen project on time and budget. Successful installation of the first 10 jackets in the North Sea
- Enhanced our position in floating wind through the acquisition of a majority holding in Nautilus Floating Solutions
- Commitment to target Net Zero Scope 1 and 2 emissions by 2050 with a 50% reduction by 2035

SUBSEA AND CONVENTIONAL

NUMBER OF ACTIVE PROJECTS

68

RENEWABLES

NUMBER OF ACTIVE PROJECTS

9

SUBSEA AND CONVENTIONAL

Our Subsea and Conventional business unit is a world leader in delivering complex offshore projects to the energy industry. It operates under the Subsea 7 brand.

Subsea 7's Subsea and Conventional business unit offers integrated solutions for oil and gas field developments incorporating the engineering, procurement, installation and commissioning of subsea umbilicals, risers and flowlines (SURF) in all water depths. It also offers services for surface infrastructure in shallow water locations. Drawing on decades of experience of designing and executing projects across the globe, we optimise developments in order to maximise return on investment for our clients while minimising carbon emissions.

Subsea and Conventional is the cornerstone of our vision of the subsea field of the future and its market-leading position leverages all four principles of this strategy: early engagement and partnerships, integrated subsea production systems (SPS) and SURF, system innovation and enabling products, and digital delivery and services.

Our journey in developing an oil and gas field typically begins with early engagement with the client to deliver feasibility studies and front-end engineering and design (FEED) solutions. This collaborative approach has seen us develop deep relationships with our clients and suppliers that allow us to optimise the cost efficiency of field designs. Since 2019, Subsea 7 has been awarded SURF contracts worth $7.5 billion, over $5.5 billion of which has utilised our Field Development Group's early engagement capabilities.

Early engagement can have the greatest impact on field economics by combining both SPS and SURF in an integrated approach to field development. We achieve this through Subsea Integration Alliance (SIA), which combines SURF services provided by Subsea 7 with SPS offered by OneSubsea®.

The alliance has rapidly gained traction with clients particularly for large, greenfield projects, resulting in a market share (by revenue) of 76% of the industry's integrated orders since January 2020. In 2021, notable awards included the major fast-tracked development of the Sakarya gas field in Turkey, Scarborough in Australia, as well as smaller tie-back projects in Norway. Work on the Bacalhau project, which was awarded in early 2020 and was Brazil's first ever integrated project, has made good progress during the year.

In the design of optimal field solutions, our engineering services go hand-in-hand with our strategy of systems innovation and enabling products in finding more cost-efficient ways to develop fields. Our proprietary Electrically Heat-Traced Flowline (EHTF) enables longer tie-backs of satellite reserves, extending the reach of existing infrastructure, thereby reducing costs, as well as minimising the development's carbon footprint by eliminating the need for surface facilities. In 2021 we commissioned our first EHTFs utilising our new high-specification reel-lay vessel, *Seven Vega*. *Seven Vega* is the latest addition to our young fleet of global enabler vessels that leaves us well-placed to deliver projects safely and efficiently in the coming decades with reduced need for major capital reinvestment.

Digitisation of our services and products is key to delivering faster and more efficient field developments. Subsea Integration Alliance has the leading concept evaluation tool in the marketplace, allowing clients to easily assess design choices and their impact on overall returns. Subsea 7's Carbon Estimator extends this assessment to include the impact of the design choices on lifetime carbon emissions. As an important tool in assessing emissions, the Carbon Estimator gained rapid adoption by our clients in 2021.

Whether through early engagement, integration, novel technologies, or digitisation of products and workflows, our vision of the subsea field of the future will drive cost efficiency for clients and continued differentiation for Subsea 7.

The major projects of the Subsea and Conventional business unit are commonly up to three years in duration, typically progressing through engineering and procurement in the first two years, before entering the higher-margin offshore installation phase in the final year. In 2021, as the industry recovered from the downturn in the prior year, the business unit reported a high level of order intake at $5.5 billion and this will contribute to improved vessel utilisation from late 2023 onwards.

RENEWABLES

Subsea 7's Renewables business unit primarily comprises Seaway 7 ASA, which is listed on the Euronext Growth market (ticker SEAW7). It is a top-tier service provider for the offshore wind industry and is a fundamental part of our energy transition strategy.

In October 2021, Subsea 7 completed the combination of its fixed offshore wind business with OHT ASA, a leading player in heavy transportation for the energy sector that had two new build wind installation vessels under construction. The combination created Seaway 7 ASA, a global leader in the delivery of fixed offshore wind farm solutions.

The Group has a strong fleet of vessels for foundation installation and inner-array cable lay, as well as heavy transportation vessels that are increasingly deployed to transport large offshore wind structures. It also has two high-specification new build vessels under construction. *Seaway Alfa Lift* is a state-of-the-art wind turbine foundation installation vessel equipped with a unique smart-deck for efficient monopile installation. *Seaway Ventus* is a jack-up heavy lift vessel capable of efficiently installing the largest wind turbines as well as wind turbine foundations. Both are due for delivery in 2023.

The combined Group has been involved in the offshore wind market since the early days of the industry's commercialisation. With over 10 years of experience, it has built and installed nearly 800 wind turbine foundations and laid over 1,200 kilometres of inner-array cables for fixed offshore wind farms worldwide. The global offshore wind farm market has grown rapidly, with more than 30 gigawatts of capacity installed by the end of 2021. Looking ahead, strong growth is projected as society drives increased investment in carbon neutral energy sources.

Seaway 7's flexible offering in renewables is tailored to its clients' needs, ranging from standalone transport and installation (T&I) to full-scale engineering, procurement, construction and installation (EPCI) contracts. These two contracting models can encompass turbine foundations, inner-array cables or both as an integrated package. While T&I contracts are currently more commonplace, with engineering and project management performed in-house by the client, the rapid growth in the size of projects combined

with a push into new territories is expected to drive increasing appetite for outsourcing and growth in demand for EPCI services. This trend plays to its core strengths in managing major offshore projects, dealing with complex supply chains and managing the risks associated with turnkey contracts. These competitive advantages are underpinned by the global reach and local knowledge that it has gained through decades of experience in oil and gas, and together differentiate us from many other contractors in the offshore wind industry.

During 2021, the Group made good progress in the execution of its $1.4 billion Seagreen contract covering the EPCI of 114 wind turbine foundations, 330 kilometres of inner-array cables and associated infrastructure off the east coast of Scotland. By the end of 2021, 50% of the foundations had been delivered to the UK and a total of 10 foundations had been installed, with the remainder scheduled for installation in 2022. The Seagreen project extends Seaway 7's collaborative relationship with developer SSE and follows its successful execution of SSE's Beatrice EPCI project between 2016 and 2019.

At 31 December 2021, Subsea 7 had a 72% majority holding in Seaway 7 ASA and fully consolidated its financial performance, balance sheet and cash flows in its financial statements. More details of Seaway 7 ASA's activities and financial performance are available in its Annual Report for 2021 and on its website: www.seaway7.com.

COMMITTED TO OPERATING IN A SAFE, ETHICAL AND RESPONSIBLE MANNER

Subsea 7 has a strong Values-led culture and believes that operating in a safe, ethical and responsible manner is at the heart of creating sustainable value for all our stakeholders. Below are some key figures from 2021 across all sustainability dimensions.

OUR KPIs

We have been focusing on our sustainability priorities and report on our progress in the following sections. An important part of driving and monitoring our progress is the use of relevant KPIs.

Lost-time injury frequency rate

0.12

per 200,000 hours worked
(2020: 0.07; target <0.05)

Percentage of suppliers with a contract that included human rights clauses

86%

(2020: 82%)

Number of employees completing compliance and ethics e-learning including anti-corruption

5,067

98% of target population
(2020: 5,153, 100% of target population)

Cumulative power capacity of renewables projects supported to end of 2021

7.5GW

(2020: 6.0GW)

Carbon emissions

535,642

tonnes of Scope 1 CO_2 emissions
(2020: 410,446)

% of waste reused or recycled from onshore owned sites

77%

(2020: 76%)

Environmental incident frequency rate

1.18

per 200,000 hours worked
(2020: 0.86; target: < 0.70)

Environmental spill

16

litres per 200,000 hours worked
(2020: 36; target: < 25 litres)

Please see Subsea 7's 2021 Sustainability Report available at www.subsea7.com

OUR SUSTAINABILITY PRIORITIES

HEALTH, SAFETY AND WELLBEING

The safety of our people is our first priority. We aim for an incident-free workplace every day, everywhere and our policies are continually reviewed to seek to improve our safety performance. We believe that all people working on our sites anywhere in the world are entitled to the same level of protection. Subsea 7's Business Management System underpins the way in which we conduct safety training, reporting, procedures and assessments. Subsea 7's line managers are responsible for implementation and compliance with the system and ensuring that all employees and contractors are aware of their responsibilities. We record all incidents and near misses in detail and investigate every event. In 2021 no fatalities were recorded, our lost-time injury rate was 0.12 and our recordable injury frequency was 0.19. Subsea 7 checks activities against our internal standards and processes as well as regulatory and legislative requirements. We promote a healthy work-life balance through a combination of wellbeing initiatives, protecting against occupational health hazards and supporting our employees when they need it most.

PROGRESS IN 2021

Health and safety: Our underlying lost-time injury frequency rate increased in 2021 which is cause for concern. Our focus has been on establishing ways to improve our safety performance including a focused campaign to reduce dropped objects.

Assurance and verification: We enhanced our comprehensive self-verification process by introducing an additional measure aimed to bring further assurance that our activities are aligned with our safety processes. We are close to our target of 75% and will continue this initiative throughout 2022.

Wellbeing: We have developed a Company approach to wellbeing that covers all aspects contributing to our wellbeing at home and in the workplace.

Covid-19: Our health screening programme processed over 30,000 questionnaires and ensured we kept our people safe and maintained operations.

ENERGY TRANSITION

As a partner of choice to the offshore energy industry, Subsea 7 will play a proactive role in the construction of sustainable offshore energy developments around the world and will support the transition of energy supply towards lower carbon sources.

The offshore wind farm market has become a significant part of our business. In 2021, this business unit generated 25% of Subsea 7's revenue. Floating offshore wind is the next most promising growth area for offshore renewables.

Floating wind offers the possibility to further support energy transition by allowing a greater number of offshore wind farms to be developed in deeper water. Gas has an important role in the transition. Our proprietary technology and engineering capability support our clients in developing these fields cost effectively and efficiently.

PROGRESS IN 2021

Transition to lower carbon solutions: We have utilised our Carbon Estimator tool on over 200 tenders and studies to determine areas of largest carbon emissions to support discussions with clients.

Growth of renewables – offshore wind: We have strengthened our capabilities within fixed and floating offshore wind, including our combination with OHT ASA and acquiring a majority share in a floating wind technology developer, Nautilus Floating Solutions.

Emerging energy – new markets and opportunities: We established a new technology programme for energy transition and appointed a dedicated team. 25% of our R&D funds were allocated towards energy transition technology areas. We have been active in developing our capabilities for emerging energies.

Advocacy of energy transition: We are now represented on more than 20 key industry forums across a wide range of energy transition subjects including the Hydrogen Council, represented by our CEO.

LABOUR PRACTICES AND HUMAN RIGHTS

Treating our people and those that work with us fairly and with dignity is fundamental to the way that we work. We are committed to fulfilling our responsibility to respect and protect human rights including the prevention of modern slavery and human trafficking anywhere in our business or supply chain. We have a Human Rights Policy Statement and a Slavery and Human Trafficking Statement that summarise Subsea 7's commitment and efforts to improve our understanding and management of the potential human rights impacts of our business activities and, more specifically, to respond to the UK Modern Slavery Act. We are committed to fair and lawful employment practices. We are an equal opportunities employer and seek to protect our people from discrimination and bullying. These principles are embedded within our policies and procedures in our Business Management System, and our people are encouraged to raise any questions or concerns related to any conduct inconsistent with our policies. Our people must abide by our Code of Conduct, which is clear that we will not accept any abuse of human rights and we will not work with suppliers that do so. In 2019 we became a signatory to the UN Global Compact and declared our support for the Building Responsibly Principles.

PROGRESS IN 2021

Baseline setting: We continued reviewing our global policies and ways of working to ensure they aligned with the UN Global Compact and Building Responsibly standards and commitments.

Risk assessments: We put in place human rights plans to address risks identified on two major projects. We also implemented a new platform for enhanced human rights risk assessment and due diligence screening of high-risk suppliers.

Communication and engagement: We worked with an independent expert firm to develop human rights awareness training for relevant employees and completed the first training for our leadership team.

BUSINESS ETHICS

We are committed to complying with applicable laws and applying the highest ethical standards in everything we do, treating all our stakeholders fairly and with respect. All employees are required to uphold our Code of Conduct, which integrates our three key policy statements on Ethics, Human Rights and Health, Safety, Environment and Quality (HSEQ). Our Speak Up policy establishes a mechanism for anyone with concerns to raise them without fear of retaliation or detriment, and for cases to be investigated conscientiously and without bias. This includes an externally administered and confidential reporting helpline. Our compliance and ethics programme has been developed to prevent bribery, corruption and other compliance and ethics breaches by the Company and all who work for us – including suppliers and other third parties. Our Code of Conduct for Suppliers sets out the key principles of ethical business conduct that our suppliers are required to uphold. Subsea 7's Chief Ethics and Compliance Officer provides regular reports to the Corporate Governance and Nominations Committee of the Board and to the Executive Ethics Committee to ensure management understands, accepts and fulfils its accountability for compliance and ethics.

PROGRESS IN 2021

Embedding a culture of ethics, compliance and integrity: We have been focusing on making compliance and ethics e-learning more engaging and effective for employees. In 2021, we achieved 100% completion for our targeted onshore workforce and so far 81% of our targeted offshore workforce, with 100% completion expected by the end of February 2022.

Ensuring all who work for us uphold our commitment to business ethics: We are working towards having our anti-bribery/anti-corruption programme independently assessed for the whole of Subsea 7, having completed assessments for France and the Gulf of Mexico. We have also continued to embed our new platform for the risk assessment and due diligence screening of third parties.

Making a positive impact on business ethics in our sector including the supply chain: We promoted UN International Anti-Corruption Day, including a message from our CEO. We held Supplier Integrity webinars, at which senior managers talked about the importance of integrity.

OPERATIONAL ECO-EFFICIENCY

Subsea 7 recognises the impacts of climate change and its potential effect on all our stakeholders. We seek to be more efficient in the way that we work and invest in solutions that lower our greenhouse gas emissions. Over 90% of our emissions come from our vessels such that our CO_2 emissions correlate strongly with our offshore activity levels. Our Environmental Management System is certified to ISO 14001:2015. In 2021 DNV GL performed a surveillance audit of our compliance which confirmed effective fulfilment of requirements.

We measure key environmental data against internal targets including fuel and energy consumption carbon emissions, waste segregation, spills, and other incidents. We have a comprehensive risk management system with procedures and tools that identify, analyse, report and manage business risks that are related to environmental exposure and the effects of climate change.

PROGRESS IN 2021

Improving environmental efficiency of our fleet: We published our plans to target Net Zero by 2050 and included a nearer-term target of 50% reduction in greenhouse gas emissions from Scope 1 and 2 by 2035 (from a 2018 baseline). We have begun deployment of digital fuel flowmeters and a number of our vessels have been fitted with digital dashboards to help us optimise fuel use and reduce emissions through saving power and fuel. In 2021, our Scope 1 CO_2 emissions totalled 535,642 tonnes (2020: 410,446 tonnes). We also continue to apply focus to our Clean Operations which has resulted in a reduction of our carbon emissions by 74,288 tonnes. A Clean Operation is an activity where a vessel's carbon footprint is reduced without compromising safety or execution.

Engaging with clients to reduce the environmental impact of our services: Our focus has been around establishing a framework and setting baselines for the total carbon footprint of our projects, services and operations including Scope 3.

Improving environmental efficiency onshore: In 2021, 66% of our total electricity was generated from renewable energy tariffs (2020: 45%). This supports our continued drive to seek ways to reduce our emissions in line with our target.

ECOLOGICAL IMPACTS

Subsea 7's fabrication and construction activities, offshore and onshore, have an impact on the environments that surround them. We conduct our business in a way that considers the environment, and which aims to keep any negative impact to a minimum and put in place procedures to protect biodiversity and the ecosystems we work in. Our HSEQ policy focuses on ensuring regulatory compliance and improving our environmental performance through careful selection of consumables and working practices designed to reduce waste, energy consumption and emissions. Subsea 7's line managers are responsible for implementation and compliance with this policy and that all employees and contractors are aware of their responsibilities. We take responsibility for our own end-of-life assets, with all vessels recycled in accordance with the Hong Kong Accord. In 2021, *Seven Eagle* was decommissioned from the fleet.

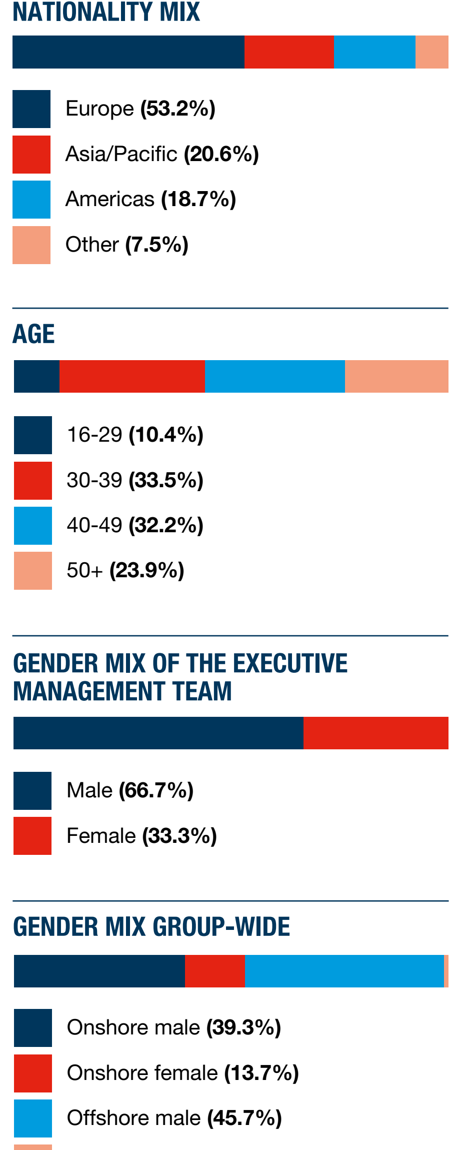
PROGRESS IN 2021

Recycling our waste: We have continued to apply focus guided by our Group waste protocol. This year we recycled 77% of onshore waste and segregated for recycling 69% of non-hazardous offshore waste.

Partnering with an institution to assist in a marine environmental initiative: Together with the UK National Oceanography Centre, Subsea 7 formed a global partnership called BORA Blue Ocean Research Alliance™. This seeks to bridge the gap between industry and science in support of a sustainable marine future. The alliance will explore the health of our oceans and support biodiversity. Our first area of focus is the BORAbox™ which will monitor and track ocean variables. We successfully trialled the first BORAbox™ during 2021.

Zero single-use plastics: As a signatory to the UK Chamber of Shipping Single-Use Plastic Charter which seeks to eliminate non-essential single-use plastic, we are making good progress phasing out four categories of commonly used single-use plastic and continue to track progress through an online database at onshore sites and vessels.

A FOCUS ON OUR PEOPLE

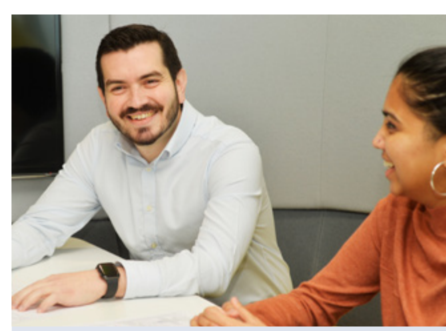


Our people are our greatest asset, the heart of our business and everything we do. Being 7 is our employer brand and the backbone of our culture. It's the things that matter to us and what makes us unique.

At Subsea 7 we offer our people a career they can be proud of, a place for innovation and an environment where they can thrive. Our Being 7 offer is supported through our Learning and Development, Diversity and Inclusion (D&I) and Health and Wellbeing Strategies. In 2021 we launched a new employee survey approach, which will facilitate us to run more regular surveys that will help us build a better picture of how our people see our organisation and culture. It will provide actionable insights to our people's engagement and how they feel about D&I, and health and wellbeing.

LEARNING AND DEVELOPMENT

Building on the investment made in 2019 in our digital HR platform for our onshore population and offshore management teams, we made further investment in our digital learning offering with the launch of 'TrainingPortal' to our wider offshore community. TrainingPortal provides a springboard for greater learning and development opportunities for our offshore population. We continue to encourage a culture of learning through the annual Festival of Learning, with the 2021 theme being 'Create Connections'. Over 3,000 of our people took part in 40 sessions offered globally, supporting our people to create connections with other colleagues, with the business and with their own wellbeing.



DIVERSITY AND INCLUSION

In 2021 Nathalie Louys, General Counsel, took over as the Chair of our Group Diversity and Inclusion Steering Committee. Our leadership teams remained focused on this topic with D&I activities and initiatives being delivered both locally and at the global level. In 2021 we increased our internal advertising of senior roles following internal feedback to ensure all employees have equal opportunities in career advancement. Also in 2021, to remove potential bias, we changed our approach to our talent and succession process, by ensuring that everyone at a certain level is talent-assessed in advance of completing a succession plan.

HEALTH AND WELLBEING

Health and wellbeing issues have never been broader and more complex. They reach every aspect of our lives, as individuals, as family members, as friends and as colleagues. As an employer that truly cares about our people, we recognise the importance of providing health and wellbeing support across work, life and home. In 2021 we commenced the launch of the Subsea 7 Wellbeing Framework, which supports our commitment to the health and wellbeing of our people, from taking care of our minds and bodies, to creating an environment that helps us to connect and belong and enables us to flourish and thrive.

EU TAXONOMY DISCLOSURE

On 18 June 2020, the European Union (the "EU") issued Regulation 2020/852 on the establishment of a framework to facilitate investment for companies registered within the EU. Under this regulation and its delegated acts (the "EU Taxonomy"), the Subsea 7 S.A. Group (the "Group") is required to publish, for the 2021 financial year, eligibility indicators highlighting the proportion of its revenue, capital expenditure ("CAPEX") and operating expenditure ("OPEX"), (collectively, key performance indicators "the KPIs") resulting from economic activities considered as sustainable as defined by the EU Taxonomy for the first two climate objectives of climate change mitigation and climate change adaptation.

This initial assessment of eligibility was performed based on a detailed analysis of all the Group's economic activities performed in the period, assessed against:

- Delegated Climate Regulation of 4 June, 2021 and its annexes supplementing Regulation (EU) 2020/852 by specifying the technical criteria for determining under which conditions an economic activity may be considered to contribute substantially to climate change mitigation or climate change adaptation;
- Delegated Regulation 2021/2178 of the European Commission of 6 July, 2021 and its annexes supplementing Regulation (EU) 2020/852 specifying how to calculate the KPIs and the narrative information to be published.

The Group conducted an exercise to identify each economic activity performed which contributes to the Consolidated Financial Statements prepared by the Group. The identification exercise included Subsea 7 S.A. (the "Company") and all entities controlled by the Company (its subsidiaries).

The Group applied an analytical methodology which involves definitions, assumptions and estimates, the main elements of which are described below. The Group will continue to develop its analytical methodology in accordance with the EU Taxonomy evolution.

ELIGIBLE ECONOMIC ACTIVITIES UNDER THE EU TAXONOMY

Under the EU Taxonomy, the Group is required to identify all eligible economic activities for each of the first two published climate objectives: climate change mitigation and climate change adaptation. The economic activities identified resulted from a comprehensive review of the Group's activity portfolio for 2021.

Where the Group's eligible economic activities are cited in both the climate change mitigation and climate change adaptation objectives, it was determined that these activities primarily contributed towards and therefore should be allocated to the climate change mitigation objective.

The Group's activities evaluated to be EU Taxonomy eligible for the climate change mitigation objective are shown below.

Eligible CAPEX and OPEX are covered by the activity 7.6 'Installation, maintenance and repair of renewable energy technologies' (see description above).

For the fiscal year 2022, the EU Taxonomy Regulation will require eligible activities to be further analysed regarding their compliance with the "alignment" criteria (Substantial Contribution, Do No Significant Harm (DNSH) and Minimum Social Safeguards). This notion of alignment is not mandatory for first reporting. The Group will further develop its analysis of eligible activities during 2022 to include in its 2022 Annual Report.

ENVIRONMENTAL OBJECTIVE	ACTIVITY COVERED BY THE EU TAXONOMY CODE	ASSOCIATED NACE CODE	DEFINITION OF THE ACTIVITY	CORRESPONDING GROUP ACTIVITY
Climate change mitigation	7.6 Installation, maintenance and repair of renewable energy technologies	F42.22	Installation, maintenance and repair of wind turbines and the ancillary technical equipment.	The Renewables business unit comprises activities related to the delivery of fixed offshore wind farm projects. This includes the procurement and installation of offshore wind turbine foundations and inner-array cables as well as heavy lifting operations and heavy transportation services for renewables structures.
Climate change mitigation	5.11 Transportation of CO_2	F42.21 and H49.50	CO_2 is delivered to a permanent CO_2 storage site that meets the criteria for underground geological storage of CO_2.	The Group participates in a carbon capture project leading to permanent storage of CO_2 in Norway from an industrial source. Scope includes engineering, fabrication and installation of a 100km CO_2 pipeline that will connect the CO_2 collection facility to the CO_2 storage site.

ELIGIBILITY INDICATORS

The Group has calculated the eligibility indicators in accordance with the provisions of the EU Taxonomy based on its existing processes and reporting systems, including assumptions made by management. In this year's exercise, 2021, the Group has concluded that all eligibility indicators for revenue, CAPEX and OPEX should be reported under the climate change mitigation objective with nil to be reported under climate change adaptation.

The eligibility indicator review covered all Group economic activities included in the Group's Consolidated Financial Statements as of 31 December 2021. In the period, 99% of the eligible revenue relates to the installation, maintenance and repair of wind turbines and the ancillary technical equipment, with the balance consisting of the Group participation in a carbon capture project in Norway. The eligible capital expenditure and operating expenditures relate exclusively to supporting the offshore wind farm project activities.

For sake of clarity and completeness, the oil and gas related economic activities of the Subsea and Conventional and Corporate business units were assessed as non-eligible under the EU Taxonomy. All activities under both business units were deemed non-eligible due to the exclusion of fossil fuel extraction activities from the EU Taxonomy target scope. The EU has clarified that support activities to economic activities excluded from the regulation scope are also considered out of scope. The Group's non-eligible activities include activities contributing to reducing the carbon intensity of the energy transition such as field carbon footprint optimisation, carbon capture systems studies, a project for the electrification of an oil platform using floating wind technology, and other smaller carbon footprint reducing activities.

METHODOLOGY FOR CALCULATING THE INDICATORS

The financial information used for this first EU Taxonomy report is based on the Group's Consolidated Financial Statements as of 31 December, 2021. The financial information used was sourced from the Group's financial information systems at the period end. It was subject to internal review and assurance by the central finance function to ensure consistency with the revenue, OPEX, and CAPEX information reported in the Group's 2021 Annual Report.

The Group's share of eligible revenue is determined by dividing the sum of the revenues of eligible activities by the total revenue of all activities as reported in the Group's Consolidated Financial Statements as of 31 December, 2021. The Group eligible and total revenue relates mainly to engineering, procurement, construction and installation contracts recognised in accordance with Note 3 'Significant accounting policies' of the Group's Consolidated Financial Statements as of 31 December, 2021.

The Group's share of eligible CAPEX is determined by dividing the sum of the capital expenditure of eligible activities by the total of additions to intangible assets, additions to property, plant and equipment, and increase in right-of-use assets as reported in the Consolidated Financial Statements as of 31 December, 2021. These include additions acquired as a result of business combinations. For further details please refer to Notes 14, 15, and 16 of the Group's Consolidated Financial Statements. In this exercise the Group only included as eligible those capital expenditures allocated in full to supporting the execution of eligible activities.

The Group's share of eligible OPEX is determined by dividing the sum of the OPEX of eligible activities by the total OPEX of all activities for the Group during fiscal year 2021. The only operating expenses reported under the numerator and denominator for the Group include:

- Expenses that relate to the maintenance and repair of property, plant and equipment,
- Research and development expenses, including direct personnel costs.

In this exercise the Group only included as eligible those operating expenditures allocated in full to supporting the execution of eligible activities. The expenses already accounted for under the capital expenditure KPI have been excluded from the operating expenditure KPI numerator and denominator.

KPIs FOR CLIMATE CHANGE MITIGATION OBJECTIVE AS OF 31 DECEMBER 2021	REVENUE $m	CAPEX[1] $m	OPEX $m
Numerator for Eligible	1,239	403	31
Numerator for Non-Eligible	3,771	115	81
Denominator	5,010	518	112
Eligible Indicator expressed	25%	77%	27%
Non-Eligible Indicator expressed	75%	23%	73%

1. As a result of the business combination with OHT ASA (renamed Seaway 7 ASA) on 1 October 2021, the Group's fixed offshore wind activities were executed by Seaway 7 ASA, a non-wholly-owned subsidiary of the Group from that date. Through this combination the Group acquired $295 million of assets, including right-of-use assets, reportable under the "addition of asset through acquisition" criteria under the EU Taxonomy. This amount is included in both the Numerator and Denominator.

PRINCIPAL RISKS AND UNCERTAINTIES

Effective risk management is fundamental to the Group's performance and creates sustainable value for our stakeholders.

The Group's approach is to identify key risks at an early stage and develop actions to measure, monitor and mitigate against their likelihood and impact. This approach is embedded throughout the Group and is an integral part of our day-to-day activities.

The Group's operations, its strategy for the subsea field of the future and its proactive participation in the energy transition are divided between two business units: Subsea and Conventional focuses on the offshore oil and gas and emerging energy markets, while Renewables – through Seaway 7 ASA – is focused on fixed offshore wind. Climate-related risks, challenges and pressures are a key consideration in the Group delivering its strategic objectives and are therefore subject to ongoing assessment as part of the risk management processes in place.

Our Subsea and Conventional business unit executes large and complex offshore projects to the energy industry. It offers integrated solutions for oil and gas field developments incorporating engineering, procurement, installation and decommissioning of subsea umbilicals, risers and flowlines (SURF) in all water depths. It also offers services for surface infrastructure in shallow water locations. In January 2021 the SURF and Life of Field businesses came together as one single business unit to drive forward the Group's subsea field of the future strategy and combined its market-leading position across all four principles of this strategy: early engagement and partnerships, integrated subsea production systems (SPS) and SURF, system innovation and enabling products, and digital delivery of projects and services. This business unit reinforces the Group's desire to support emerging energies by actively participating in the development of floating wind and also being awarded its first carbon capture project.

The fixed offshore wind Renewables business – Seaway 7 ASA – is a global leader in the delivery of fixed offshore wind farm solutions from foundations installation to inner-array cable lay services, and provision of related heavy transportation services. With the upcoming delivery of two new assets in the coming years, this business unit will further expand its existing foundation installation capabilities and extend to provision of assets to support the installation of wind turbines. Seaway 7 ASA is one of a few contractors that can provide EPCI expertise for the execution of offshore wind farm projects, which are, with increasing frequency, contracted on a lump-sum basis.

As each country presses forward to meet its Net Zero targets, the sanction of offshore wind projects continues to increase and in some countries, this sector is supported by government-led initiatives. Offshore wind has a different contractual landscape compared to the Subsea and Conventional business unit, which, compounded by the present intense level of competition, can be challenging for the contractor. As offshore wind develops, the trend towards increasingly larger wind farms brings a potential significant increase in activities and EPCI contracts. As foundation sizes increase to accommodate larger wind turbines the number of assets capable of installing the largest foundations may decrease. When contracting on a limited transportation and installation (T&I) basis, the breadth of the Group's expertise is less differentiating and more service providers can compete, compared to an EPCI contract.

Offshore operations are required for both Subsea and Conventional as well as fixed offshore wind renewable projects. These involve large, highly complex, technologically rich systems in diverse locations, where the Group often faces harsh and challenging conditions. Weather is of greater concern as the world experiences more extreme climate-related events. With the exception of certain long-term contracts and day rate IRM work, the Group generally contracts on a fixed-price basis. The costs and margins realised on projects can vary from the original estimated amounts due to a number of factors, sometimes resulting in a reduced margin or loss. Additional operating costs incurred as a result of changes in our operational activities to comply with the ongoing Covid-19 health measures and legislative requirements are an example of how certain external factors can negatively impact margins. The Group continuously assesses the risks involved in fixed-price contracts and uses its negotiated contract terms to mitigate certain aspects of these risks.

The Group operates in a predominantly cyclical industry where activity is strongly influenced by the current and forecast price of energy, as well as the impact of decisions taken by governing bodies, particularly regarding regulation, climate change, mitigation and adaptation, subsidies and fiscal incentives.

The Group's risk management processes assist the Group to respond to changes in activity levels and apply appropriate measures to adjust its cost base as far as practical, while at the same time ensuring that an acceptable risk profile is maintained.

ROLES AND RESPONSIBILITIES

The Board of Directors has oversight of the Group's risk management activities and internal control processes. The Executive Risk Committee is responsible for monitoring and managing operational and enterprise risk in pursuit of the Group's business objectives and reports to the Board of Directors. The Executive Management Team is responsible for designing and implementing appropriate systems and procedures for the identification and management of risks, while ensuring, subject to an acceptable level of risk, that the Group is able to optimise stakeholder value.

The CEO determines the level of risk which can be taken by the business units by region, country and by functional management. This is managed through Group policies and delegated authority levels which provide the means by which risks are reviewed and escalated to the appropriate management level within the Group, including the Board of Directors.

PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks are those risks that, given the Group's current position, could materially threaten its business model, future performance, prospects, solvency, liquidity, reputation, or prevent the Group from delivering its strategic objectives.

The means which the Group employs to mitigate or eliminate these risks are shown on pages 25 to 35.

Additional risks and uncertainties that the Group is unaware of, or currently deems immaterial, may in the future have a material adverse effect on the Group's reputation, operations, financial performance and position. However, the Board of Directors believes that the Group's risk management and internal control systems have assisted, and will continue to assist, the Group to identify and respond to such risks.

MARKET RISK

RISK

Strategic

The Group recognises that technology, engineering capabilities and providing the right solutions to meet clients' demands are market differentiators. The Group is committed to delivering on its subsea field of the future strategy, which aims to create value by further improving our solutions and the way we deliver them, optimising developments in order to maximise return on investment for our clients while minimising carbon emissions. Focused on the four principles of this strategy: early engagement and partnerships, integrated subsea production systems (SPS) and SURF, system innovation and enabling products, and digital delivery and services, the Group must deliver on its designs to the satisfaction of its clients. There is a risk the demand for innovative designs, systems, products and solutions accelerates into the construction and installation phase without sufficient time to transition from development to production. Integrated solutions are offered through the Strategic Integration Alliance with our partner OneSubsea®. This contracting model continues to gain traction as a preferred option for clients, particularly for large greenfield projects. The risk(s) are that either alliance partner encounters an interruption in work activities as a result of the other, which impacts the overall project delivery. Integrated solutions consolidate risk into one shared contractual framework, meaning that the risk profile to the Group is wider than through stand-alone offerings. While the Group has developed the knowledge and ability to identify, manage and mitigate the risks associated with integrated solutions, they may still threaten the Group's performance. A failure of our strategy to offer seamless integrated solutions with our alliance partner(s), appropriate design led solution, or other systems and products could impact the Group in winning work and affect its position as a market leader.

The Group continues to advance its strategy in the energy transition, in both the established renewables market and emerging energy sectors. Seaway 7 ASA is well-positioned to capture an enhanced share of the high-growth fixed offshore wind market. As the fixed wind sector continues to grow and emerging energies advance there is a risk that advancements in the size and complexity of renewables or emerging energy projects could exceed current expertise, capabilities or asset base. Fierce competition and the attractiveness of the offshore wind sector to competitors carries the risks of pricing pressures and asserting the Group's position as one of the market leaders.

From time to time the Group may engage in strategic combinations, partnerships, joint ventures and acquisitions to support growth. This brings risk in the form of incorrect assessments of the target market, new and inherited legal and contractual liabilities, as well as risks that are operational and financial in nature. It also carries the risk of failure to integrate new business combinations and their resources into the Group and failing to deliver the Group's strategic objectives.

MITIGATION

Technology-related risks are mitigated by employing qualified personnel, as well as compliance with industry and engineering standards combined with strict adherence to the Group's engineering management and control systems and procedures. The Group has a multi-stage gate process for the implementation of new technologies and products. For integrated solutions, the Group's risks are mitigated through considered selection of alliance and collaborative partners and pre-identified ways of working. In addition, the Group has a procedure to establish, at tender stage, a risk sharing methodology to complement the project. It continues to maintain disciplined contracting principles to mitigate project and operating risks.

The Group brings extensive experience and engineering capabilities from a proven track record of project management and execution in the oil and gas sector to the offshore wind sector through investing in the right people and having the right technical capabilities and support assets, as well as keeping pace, with engineering developments, technologies and installation methodologies. The Group values partnering with experienced clients to better control the risks involved in the energy transition.

The Group has internal resources and external advisers to engage in thorough due diligence and ensures that an experienced management team is deployed to manage merger and acquisition opportunities. This team ensures operational management is engaged in the integration process immediately after a corporate transaction to ensure successful execution.

MARKET RISK CONTINUED

RISK	MITIGATION
Economic The Group's business depends on the level of activity in the segments of the energy industry in which it operates and, consequently, any significant change in the level, timing or nature of clients' expenditure plans could adversely impact the Group's order intake, financial performance, position and prospects. Global energy demand continues to grow but with society looking for cleaner and more sustainable energy sources to meet its needs, the Group's strategy is to be a proactive participant in the energy transition and assist our clients in reducing the carbon footprint of their developments. This involves the reduction of our own emissions, proposing field solutions with reduced carbon footprint, and being a major contractor in the renewable energy market. Legislative changes and society pressures, led by Environmental, Social and Governance (ESG) desires for clean energy, could impact the Group's ability to partner with stakeholders such as investors, insurers and other key suppliers, that would no longer offer services to the Group while it continues to work in the oil and gas sector. A rapid increase or decrease in demand for the Group's services could outpace the Group's ability to resize its capacity for service provision. Furthermore, our suppliers could be adversely affected by the inability to resize but may also struggle to cope with order demand variability. Any default by them or increase in pricing could impact a project's schedule as well as negatively impacting the Group's financial performance. Our clients' financial strength and the economic viability of their projects can be impacted by the fluctuation of energy prices and energy mix which can be driven by political conditions, technological development, global demand and ESG. These variable factors are outside the Group's control but can have a direct impact on the operational and financial performance of the Group. Furthermore, the expansion of offshore wind from a market centred in north west Europe to Taiwan and the USA brings potential economic risks associated with establishing an industry in multiple nascent markets. One such challenge for this market remains the inclusion of local content in development plans, including working within the Jones Act regarding the use of non-US vessels in US waters. History has shown that stakeholder management of local content, governmental policy, legislative, social and environmental constraints can influence the timing and development of renewables projects.	The Group closely monitors market activity and collaborates with clients to understand their future project and expenditure plans. Early engagement in the design phase of an energy project enables the Group to better assess the risks and opportunities and the economic implications of the projects as they progress towards construction. Following award, the Group is able to implement cost reduction measures to adapt the projects to market conditions and work within the terms of the contracts to mitigate the effect of client-led changes to project schedules or work scopes. The financial strength and solvency of our clients and suppliers is a specific area of focus before entering into contracts. The Group has successfully reduced its cost base and continues to look for ways to improve efficiency and productivity to respond to market demand to optimise expenditures. The Group engages with key stakeholders to explain the Group approach and initiatives on energy transition, climate change, and ESG to maintain long-term alignment on economic activities. The Group seeks to diversify selectively into new markets, including emerging energy markets, which allow it to leverage resources and competencies, as well as into other geographies requiring similar services.
Competition The Group faces competition to win contracts needed to ensure a sustainable backlog of future work across the business units. This competition may result in pricing pressures or a change to a contractor's risk profile, as competitors strive to win contracts and secure work. Contractual terms which are more onerous for the contractor may increase liabilities, both actual and contingent, and adversely impact the Group's financial performance and position. Furthermore, the competitive landscape includes further alliances as well as vertical and horizontal consolidations, to achieve economies of scale and scope and wider control of the value chain. Such initiatives could represent a threat to the Group's profile as a specialised offshore service provider.	The Group endeavours to reduce its exposure to competition by differentiating itself from competitors. The Group's experience and resources, including its people, versatile and modern fleet and proprietary technology and digital delivery offerings, help it respond effectively to challenges from competitors. The Group seeks, within the framework of the business's contractual risk profile, to support and maintain industry-recognised balanced contracting forms. A further differentiator is the Group's ability and experience in partnering with clients and forming alliances with other oilfield services companies to offer packaged solutions and to contribute to the early development stages of projects, as well as offering cost-effective and efficient technical solutions. Competition in the fixed offshore wind sector is strong, however through Seaway 7 ASA the Group is confident that it can leverage its expertise and capabilities in the delivery and execution of complex projects and market its EPCI track record and versatile fleet as differentiators over smaller contractors or new entrants.

BUSINESS ENVIRONMENT RISKS

RISK	MITIGATION
Geographic The Group operates and tenders for work worldwide, with each country having specific political, economic and social characteristics which can give rise to various risks and uncertainties. These can adversely impact project execution and financial performance, including but not limited to: – Economic instability – Legal, fiscal and regulatory uncertainty and change, including individual countries' commitment, targets and measures to address climate control – Onerous local content obligations – Sanction and export controls – Civil or political unrest, including war – Regime change	Country or regional risks are identified and evaluated before and throughout Group operations in such markets. Appropriate risk responses are developed and implemented to mitigate the likelihood and impact of identified risks. The Group adopts a proactive and rigorous approach to assessing and mitigating these risks and, where possible, looks to develop local or regional management teams to strengthen its knowledge of, and presence in, the countries of operation.
Technological innovation Our clients seek cost-effective solutions to develop energy resources, particularly in deep waters and challenging offshore environments, to enhance the full field lifecycle. The Group's experience of designing and executing projects across the globe helps optimise developments in order to maximise return on investment for clients while reducing carbon emissions. In order to do this the Group has four key elements of the subsea field of the future strategy: early engagement and partnerships, integrated subsea production systems (SPS) and SURF, system innovation and enabling products, and digital delivery and services. Any failure by the Group to anticipate or respond appropriately to any of these elements could adversely affect the Group's ability to compete effectively for, and win, new work. The Group's ambition for proactive participation in the energy transition is based on four key pillars: offshore wind; emerging energy; oil and gas – lower carbon developments; and operations – sustainable and efficient. Technology advancements are key to advancing in these areas; the risks to the Group include investing or developing technology for one or multiple areas identified which becomes superseded or immediately obsolete, for example vessel fuel sources. Introducing technology, systems or products that are insufficiently mature or unsatisfactorily implemented when selected by our client as a valid solution could have an adverse reputational and financial impact for the Group. Reliance on the use of data and cloud storage facilities has the associated risks of information technology, operational technology, systems and cyber security failures.	The Group monitors industry trends and collaborates with clients to understand their technology requirements. This allows the Group to effectively invest in developing differentiated and cost-effective technologies to meet current and anticipated client demand. In developing new technologies, systems and products the risks associated with selecting and pursuing appropriate technological solutions, technical completion, commercialisation and successful implementation are carefully considered and addressed through 'gate controls' operated by knowledgeable and experienced Subsea 7 personnel . At every step of the innovation process, safety and the cyber security aspects of new technology, software and systems are considered to ensure the continuity of business and operations.

ORGANISATION AND MANAGEMENT RISKS

RISK	MITIGATION
Environmental sustainability The Group is committed to delivering offshore solutions to meet the needs of its clients as well as its own strategy that supports sustainable energy sources. The Group is committed to facilitating the transition towards lower carbon and renewable energy supplies. The risks to the Group are that society, interested bodies and their carbon neutral commitments impose increased pressures on the financial markets, insurers, investors and other stakeholders to dissociate themselves from oil and gas-related companies in favour of emerging energy sources.	The Group is committed to proactively participating in the energy transition in a safe, ethical and responsible manner. The Group has invested, and continues to invest, in new technologies and innovative programmes that reduce both the Group's and its clients' carbon emissions. The Group participates in the CDP, the UN Global Compact and the Building Responsibly frameworks and will increase its alignment with the recommendations of the Task Force on Climate-related Financial Disclosures. More information on the Group's efforts and initiatives can be found in the 2021 Sustainability Report which is published as a separate document.
Climate The Group is focused on climate change and meeting its own targets to reduce Scope 1 and 2 emissions by 50% by 2035 and to be Net Zero by 2050. It is also committed to delivering its strategy for subsea field of the future and the energy transition, demonstrating commitment to a more sustainable business environment both internally but also to support its clients' objectives. The Group recognises the impacts of climate change and the potential effect on our business, our end markets and society and acknowledges the risks and potential effects on the business's future associated with not taking steps to mitigate its impact. These risks include: – Operational and financial risks relating to the effect of climate control, for example cost increases associated with alternative onsite fuel sources, or the introduction of carbon taxes – The speed with which society, governing bodies and countries require alternative fuel sources and our ability to keep pace with the timescale required to provide emerging energies in a sustainable and cost-efficient way – Reducing Scope 1 and 2 emissions and sourcing, developing and upgrading our assets to support this aim	The Group is committed to engaging in more efficient ways of working and investing in solutions that lower the Group's greenhouse gas emissions. The majority of the Group's emissions emanate from its vessels and the Group looks for ways to reduce this impact on the environment. Initiatives taken include the conversion of the entire fleet to run on low sulphur fuel, in line with International Maritime Organization (IMO) guidelines and regulations. It is also undertaking trials with alternative fuels, including bio-diesel, as we seek to ascertain future fuel choices and the associated vessel upgrade decisions. Onshore, the Group is implementing a programme which includes a transition to clean energy. We are well-positioned from an asset and project execution perspective to continue to be the contractor of choice for subsea construction and installation for traditional and alternative energies where there continues to be a requirement for an infrastructure which transfers a product, whatever the product may be, from one location to another.

ORGANISATION AND MANAGEMENT RISKS CONTINUED

RISK

People

The Group has introduced flexible working for office-based personnel which brings with it a risk of ensuring the continuation of a collaborative working environment. Like many businesses, the Group carries the risk of failing to attract and retain suitably skilled and capable personnel across all business units at a time where societal preferences, particularly in the younger demographic, are towards opportunities in the energy transition rather than oil and gas. Failure to attract or retain talent could adversely impact the Group's ability to execute projects and its future growth prospects.

The Group is a signatory to the UN Global Compact and committed to its 10 principles that summarise responsibilities to respect human rights, and to avoid and address any adverse impacts on the Group's business activities. The Group is conscious that the geographic diversity of its operations and the many different types of work required to be performed by the Group's workforce and its suppliers and sub-contractors can present increased risks of human rights violations and unacceptable labour practices. The Group is particularly focused on those human rights risks that would have the greatest impact, such as modern slavery, human trafficking, child labour and other types of forced labour.

MITIGATION

The Group recognises the importance of health and wellness of its workforce and is aware of the benefits of offering modern and flexible working arrangements in order to be an employer of choice. Policies setting out the Group's flexible working arrangements and measures for onshore personnel were enhanced in 2021. Technology roll-outs which make communication and collaboration between colleagues uniform, whether in the office or a home office, have mitigated the risk of reduced communication or less collaboration. The Group's proactive engagement in the energy transition and clear engagement in emerging energy projects and ability to offer career opportunities across both business units continue to generate positive employer engagement.

The Group utilises medium-term business projections to assess resource requirements which allows timely, corrective intervention to appropriately resource the organisation in terms of size, profile, competency mix and location.

The Group monitors attrition by function and geography and has developed appropriate remuneration and incentive packages to help attract and retain key employees.

Performance management and succession planning processes are in place to develop staff and identify high-potential individuals for key roles in the business.

The Group is enhancing its risk assessment activities relating to its identification of potential human rights violations and unacceptable labour practices and is working to embed the UN Global Compact principles and the Building Responsibly Worker Welfare Principles. With the support of external experts, it has designed in-person training for delivery to targeted audiences across the Group and conducted risk assessments to help further the Group's understanding of potential risks and best practice and support the creation of action plans to address high-risk areas. The Group reinforces the importance of compliance with the Group Code of Conduct and Code of Conduct for Suppliers by internal personnel and the supply chain respectively. Both of these documents include clear guidance and expectations regarding human rights standards.

ORGANISATION AND MANAGEMENT RISKS CONTINUED

RISK	MITIGATION
Compliance and ethics The Group is committed to conducting business in accordance with applicable law and the highest ethical standards. However, there is a risk that its employees, representatives or other persons associated with it may take actions that breach the Group's Code of Conduct or applicable laws, including but not limited to anti-bribery or anti-corruption. The Group assesses such risks which vary across the Group's geographical locations. The Group has identified the following as being the most significant corruption risks it faces: – Small bribes and facilitation payments, especially in relation to the movement of vessels, people and materials – Illicit enrichment of public officials through hidden ownership in local suppliers that local content laws require us to use – Bribery by third parties working on our behalf – Bribery to win work – Bribery to get variation orders approved – Bribery to get work certified or paid These risks are inherent in our sector, the Group's business model and, to a certain extent, the locations in which it works. The Group fully supports the goals of local content laws, but they can increase corruption risks and weaken our procurement procedures and controls. Any compliance and ethics breach could result in monetary penalties, convictions, debarment and damage to the Group's reputation and could therefore impact its ability to do business.	The Group is confident that the risks identified are adequately managed by our compliance and ethics programme, and in many cases by our clients' robust procurement procedures. Integrity is one of the Group's Values and the Group has an Ethics Policy Statement and Code of Conduct which clearly set out the behaviours expected of its employees and those who work with it. These policies are periodically updated to ensure they remain current and fresh. The Group has a compliance and ethics programme underpinned by its Values and designed in accordance with international best practice to embed the Code of Conduct, prevent bribery and corruption, and manage compliance and ethics risks generally. The programme includes financial controls, risk assessments and procedures for managing third-party risks. Mandatory annual compliance and ethics e-learning for employees raises awareness, highlights the whole range of consequences and encourages compliance. Employees are encouraged to raise concerns about possible non-compliance through an externally administered whistleblowing helpline. There is a strong focus on a culture of ethics and integrity. More information can be found on our website and in our Sustainability Report. A committee comprising members of the Executive Management Team sets objectives for the implementation and continual improvement of the compliance and ethics programme and monitors progress. Regular reports are provided to the Board of Directors. The Group regularly engages an independent third-party assurance provider to benchmark its compliance and ethics programme against best practice, including international standard ISO 37001 2016.
Information technology and operational systems, cyber risks and security The Group's operations depend on the availability and security of a number of key Information Technology (IT) and operational systems. The Group's investment in its digitalisation programme combined with the acquisition of data driven businesses means the risk of these systems being disrupted or compromised by a general failure or by cyber-attacks is increasingly relevant, particularly at a time where the context imposes more remote connection into the Group infrastructure. Such risks include but are not limited to: – Unauthorised access to key operational, financial or corporate systems – Malware (including computer viruses) – Theft and misappropriation of data and sensitive information – Targeted fraud attacks – Data management and non-compliance with legislation such as the EU General Data Protection Regulation (GDPR) – Increasing use of IT to interconnect with multiple stakeholders and the possibility of such interconnectivity being disrupted to their detriment – Denial of access to or utilisation of assets with the risk of a potential loss or damage event Such breaches in security could adversely impact the Group's ability to maintain ongoing business operations and lead to financial and asset loss, reputational damage, loss of client and shareholder confidence and regulatory fines.	The Group recognises the increased frequency of cyber security threats and events and takes this risk seriously. It reviews its infrastructure, suppliers, policies, procedures and defences to mitigate associated risks and keep abreast of risk intelligence by engaging market-leading specialists where appropriate. It assesses the technology framework against approved independent standards and maintains a programme of investment in new hardware, software and systems to ensure the integrity of its IT security defences. The Group works with recognised independent industry experts to audit and test the sustainability of its security systems and assesses the business and operational impact of a cyber event, analysing varied scenarios, interruption types and effectiveness of recovery plans. The Group has a number of IT policies, including a policy on information security, designed to protect its systems and ensure their availability and integrity as well as combatting attempted fraud. These policies are regularly reviewed to ensure they continue to address existing and emerging information security, cyber maritime and cybercrime risks as well as GDPR. Mandatory internal e-learning courses and regular phishing simulation tests are used to maintain a high level of awareness among employees of IT security risks and of the Group's procedures to manage them. The functional senior management periodically updates the Executive Risk Committee and the Board's Audit Committee on cyber risk exposure and cyber security strategy.

DELIVERY AND OPERATIONAL RISKS

RISK	MITIGATION
Bidding The Group wins most of its work through a competitive tendering process. A significant proportion of the Group's work is undertaken by way of fixed-price contracts which exposes the Group to increases in supply chain costs. Failure to secure and manage costs could impact the Group's financial performance; one such risk is the inability to maintain price validity from our supply chain if there is a delay in project award, rapid price escalation or re-phasing which leads to schedule amendments. An inability to understand and respond to operational and contractual risks or accurately estimate project costs could have an adverse impact on the Group's legal liability and financial performance and position.	All bids are subject to the Group's estimating and tendering processes and authority levels. Cost estimates are prepared on the basis of a detailed standard costing analysis, and the selling price and contract terms are based on the Group's commercial contracting standards and market conditions. Where possible key supply chain vendors or subcontractor terms and conditions are negotiated alongside the main client contract to reduce the risk of non-alignment or contracting terms or the absence of price certainty. Before the tender is submitted, a formal multi-gate review process is performed. Tenders are first reviewed at a regional level where the technical, operational, legal and financial aspects of the proposal are considered in detail. Completion of the regional review process requires the formal approval of the appropriate level of management. Dependent on the tender value and complexity (such as technology and partnering), there is an escalating level of approval required. Tenders meeting specific financial and risk criteria are reviewed and approved by the Tender Committee of the Board of Directors.
Realisation and renewal of backlog Delays (including those related to the clients' final investment decisions), suspensions, cancellations, re-phasing or changes to scope or content to awarded projects recorded in backlog could materially impact the financial performance and position of the Group in current and future years.	The Group works to mitigate these risks through its contract terms, including, where possible, provision for cancellation fees or early termination payments.
Joint ventures The Group may engage in commercial joint ventures with selected partners to obtain necessary expertise or local knowledge and contract or partner with specialist companies to develop new or emerging business opportunities. A failure to find an appropriate joint venture partner or a failure by a joint venture partner to perform to the standards required by the joint venture agreement could result in negative financial and reputational impact to the Group. Misalignment between Subsea 7 and a joint venture partner on strategic matters could lead to a deadlock, impacting negatively, inter alia, on project execution. In addition, the failure of a joint venture partner to meet its financial obligations could result in an adverse impact on the Group's financial performance and position.	The Group seeks to ensure that selected joint venture partners not only have the necessary expertise, local knowledge and suitable financial profile but are also able to meet the Group's health, safety, security, environmental and quality standards (HSSEQ) and its Code of Conduct obligations. The Group endeavours to establish appropriate governance and oversight mechanisms to monitor the performance of its joint ventures and joint venture partners with regard to such matters.

DELIVERY AND OPERATIONAL RISKS CONTINUED

RISK	MITIGATION
Project execution The Group executes complex projects and a failure to meet and achieve the necessary contractual requirements could have several adverse consequences, including contract disputes, rejected claims and cost overruns, which could adversely impact the Group's financial performance, position and reputation. The contractual landscape for fixed offshore wind projects continues to apply pressure to contractors with an allocation of risk which remains imbalanced particularly when compared to the contractual terms for offshore construction projects in the oil and gas sector. These contractual risks could expose the Group to operational and financial losses that are material to the Group's overall performance. For most contracts, the offshore execution phase, which generally involves the use of either single or multiple vessels, is usually the most hazardous as this phase is exposed, among other risks, to adverse weather conditions or the risk of loss or damage to the contracted works. These hazards can result in scheduling adjustments, damage to vessels and equipment, repair or rework, injury to those working offshore, or financial loss. The Group must continue to innovate and develop products that allow it to deliver optimal field solutions and cost-efficient solutions for its clients. Errors or defects in product design and production can expose the Group to additional warranty or product liability risks.	The Group assigns a project management team to every project. Every project is assessed by regional management using the Project Monthly Status Report review process. These reviews cover project progress, risk management, cost management, financial performance and sensitivity analysis. Detailed assessments of costs and revenue are estimated and reported upon, taking into account project performance, planning schedules, contract variations, claims, risk exposure, allowances and contingency analysis. The Group factors the risk of adverse weather conditions into the design of its vessels, equipment and procedures and project scheduling, as well as the training of its offshore workforce. It also works to mitigate potential adverse financial consequences when negotiating contractual terms with its clients. Innovative products are commercialised after rigorous testing that is subject to a hierarchy of stage-gate reviews.

DELIVERY AND OPERATIONAL RISKS CONTINUED

RISK	MITIGATION
Supply chain Failure of a key supplier could result in disruption to the Group's ability to complete a project in a timely manner. A significant period of interruption affecting elements of our supply chain arising from factors such as pandemics, extreme weather, financial uncertainty, civil unrest, war or other unforeseen external factors would have an impact on our ability to deliver our clients' projects and could cause disruption to ongoing Group capital expenditure initiatives such as vessel construction, dry dockings and upgrades. In periods of increased activity for the Group, there is a risk that the supply chain does not or cannot react at the same pace as demand and insufficient capacity causes a deterioration in the quality of the product or service, extended lead times or the inability to secure products. Similarly, the impact of Covid-19 disruption continues to exist in our direct and indirect supply chain. General inflation and unexpected increases in supply chain pricing could result in higher project costs that impact the Group's financial performance. The resultant time delays or increased costs could lead to irrecoverable costs to the Group and the imposition of financial penalties by clients as well as reputational damage and reduced competitiveness. Cost is a necessary consideration in the selection of key suppliers and balancing this with quality and control assurance is a risk. Faulty or damaged components could result in additional project costs which may not be fully recoverable from the supplier and will be incurred by the Group. The Group is at risk of reduced supplier choice as the supply chain adapt their own business strategies towards sustainable and alternative energies. A severely diminished pool of suppliers will affect the Group's operational and financial performance. Failure of suppliers to reliably record and control their carbon emissions or other ESG performance indicator could limit the Group's ability to accurately report its own performance.	The financial profile and outlook of the Group's key suppliers is reviewed during the pre-qualification process for vendors and is considered prior to signing project-related contracts. Unforeseen external factors leading to interruptions in supply chain delivery are difficult to manage, however the Group evaluates these risks and where possible will seek to avoid single source suppliers and will seek to mitigate the financial impact of such interruptions through appropriate contractual terms and conditions. If necessary, appropriate guarantees or performance-related bonds are requested from our key suppliers. In addition, the Group seeks to develop strong long-term relationships with high-quality and competent suppliers, working to balance costs at a sustainable level and not only engage on a lowest bid basis. The Group engages qualified quality assurance and quality control specialists in the supplier selection process who have an active role throughout the duration of project execution. These specialists have teams on the ground at key supplier locations to ensure the quality standards are met and assurance policies followed as well as the timelines for delivery. Long-term contractual arrangements, to secure supplier commitment into the future, helps the Group to mitigate the risk of key suppliers exiting the sector.
Communicable or infectious diseases including pandemics Communicable or infectious diseases, such as the Covid-19 pandemic, can expose the Group to operational disruption and increased costs as a result of measures required to be undertaken to ensure the safe continuation of the business but also as a result of unexpected business interruptions. The risks to the Group include additional operational costs to continue normal operational activities as well as enhanced working arrangements to work safely in accordance with the changes made in law, quarantining crew and logistical issues associated with the international transit of vessels and people. These costs are not included in all fixed-price contracts and therefore pose a financial risk to the Group if they cannot be recovered as a result of exercising our contractual rights. The risk of a reduced workforce, unable to maintain minimum manning levels, or vessel stand-by or quarantine exposures could impact the Group's financial and operational results. The Group is at risk of an interruption caused to the supply chain which is also likely to be impacted.	The Group first and foremost adheres to the law, guidelines, protection and mitigation measures set out by each country in which the Group operates and in accordance with the vessel flag state. Where flexible working arrangements including working from home are not possible, such as for certain onshore fabrication facilities and the offshore vessels, the risk of incurring a significant or severe outbreak of illness is mitigated through the implementation of health screening, cleaning regimes and sanitisation measures as part of infection control and prevention. The Group aims to establish safe working environments. To achieve this, some changes to procedures are required, including in some cases extending the period of crew rotations offshore and imposing periods of quarantine prior to embarkation and the workforce returning home. Reduced workforce numbers and social distancing measures are built into the operational procedures for onshore and offshore locations. Where possible, the Group aims to mitigate some of the additional project cost exposures in complying with changes in the law by exercising its contractual rights to issue variation order requests to clients.

DELIVERY AND OPERATIONAL RISKS CONTINUED

RISK	MITIGATION
Health, safety, security, environmental and quality The Group's projects are complex and are sometimes performed in unfamiliar environments in varied conditions. This requires continuous monitoring and management of health, safety, security, environmental and quality (HSSEQ) risks associated with the location of work, project specification and installation method as well as addressing the location and assets utilised. A failure to manage these risks could expose our people and those who work with us to security breaches, illness, injury or harm. It could result in an environmental event or cause injury or damage to other parties. It could result in significant commercial, legal and reputational damage or potential disbarment from the affected country. The nature of the Group's worldwide operating activities carries the potential for significant health risks and disruption to our business operations.	The Group is focused on continuously monitoring HSSEQ performance at all levels and actively motivates, influences and guides employees' individual and collective behaviour. The Group is committed to protecting the health and safety of its people and those working on its sites and vessels as well as minimising its impact on the environment. The Group has an HSSEQ policy and detailed HSSEQ procedures designed to identify, assess and reduce such risks while ensuring compliance with relevant laws and regulations. The policy and procedures are subject to review, monitoring and certification by an independent, internationally recognised specialist firm. The Group mitigates exposure to the risk of communicable or infectious diseases by developing health procedures and medical screening that adhere to the guidance and incorporate the best practice set out by world health organisations and industry experts. This includes enhanced travel and embarkation procedures for offshore personnel, to mitigate the risk of severe illness occurring onboard our vessels.
Fleet management The Group has a fleet of vessels which are required for the successful delivery of its projects. These vessels operate in a number of regions which are subject to political, fiscal, legal and regulatory risks. This also includes regulatory requirements related to the crewing of the vessels in the territories where they are operating. Failure to manage such risks could lead to an adverse impact on the Group's financial performance and position. Lack of vessel availability is a risk. Uncertainty in operational vessel schedules may lead to non-availability for other projects in the tendering or execution phase. Vessel availability could also be negatively impacted by delays to vessel construction, completion of maintenance, vessel upgrading and dry-docking activities. In extreme circumstances, the non-availability of a vessel or multiple vessels through loss or irreparable damage could compromise the Group's ability to meet its contractual obligations and cause financial loss. Conversely, an underutilisation of the vessel fleet exposes the Group to a risk of under recovery of the total fleet costs. To maintain the competitiveness of the fleet, the Group from time to time makes significant investments in the construction or acquisition of new vessels. If the anticipated demand for those vessels does not materialise, such investments may not generate the intended financial return.	The Group considers carefully the political, fiscal, legal and regulatory risks associated with the deployment of its vessels and crew into regions in which it operates, and monitors developments to ensure it can respond appropriately. To minimise the risk of non-availability, the Group dedicates resources to perform vessel scheduling centrally rather than at a business unit or region level. Vessel construction, maintenance, upgrading and dry-docking activities are subject to detailed planning and controls are deployed to mitigate the risk of completion delays. The design and operational capabilities of a vessel are carefully assessed before its deployment to a particular project and are then closely monitored during the project's execution. The impact of potential non-availability of a vessel is mitigated by both the size and flexibility of the Group's fleet and its ability to access the vessel charter market. The Group adjusts its fleet size to suit its view of the future market by cold or warm stacking its excess assets, as well as potentially returning chartered tonnage to their owners. Before initiating the construction or acquisition of a new vessel, the Group conducts detailed analyses of the potential market and seeks to ensure that the vessel's technical specifications and projected capital and operating costs are appropriate for the anticipated market. The Group assesses the market's need for new assets and, after a rigorous technical and financial review, will decide to proceed with construction or conversion where there is sufficient future activity and with acceptable financial returns on its investment.

FINANCIAL RISKS

RISK	MITIGATION
Revenue and margin recognition Individual period performance may be significantly affected by the timing of contract completion, at which point the final outcome of a project may be fully assessed. Until then, the Group, in common with other companies in the sector, uses the percentage-of-completion method of accounting for revenue and margin recognition. This method relies on the Group's ability to estimate future costs in an accurate manner over the remaining life of a project. As projects may take a number of years to execute, this process requires a significant degree of judgement, with changes to estimates or unexpected costs or recoveries potentially resulting in significant fluctuations in revenue and profitability. Inaccurate forecasting of the costs to complete a project and of the revenue which can be earned from the client for changes to contract scope could have a negative impact on the Group's management of its liquidity and weaken its financial position. Fixed-price contracts awarded at low or negative margins can create volatility when accounting for project performance as forecast unavoidable losses are recognised in full in the period in which they are identified. Forecasting during pandemics and economic crises is more complex and subject to increased volatility as changes unfold.	Project performance is monitored by means of Project Monthly Status Reports (PMSRs) which record actual costs of work performed, the estimated cost to complete a project and the estimated full-life project revenue. The PMSR allows management to reliably estimate the most likely full-life profitability of each project. These PMSRs are subject to rigorous review and challenge, which includes the impact of the Covid-19 pandemic at key levels of management within the Group. Note 4, 'Critical accounting judgements and key sources of estimation uncertainty', to the Consolidated Financial Statements provides more detail of the Group's approach to revenue recognition on long-term contracts.
Cash flow and liquidity The Group's working capital position will be affected by the timing of contract cash flows where the timing of receipts from clients, typically based on achievements of milestones, may not necessarily match the timing of payments the Group makes to its suppliers. In executing some of its contracts, the Group is required by its clients, in the normal course of business, to issue certain guarantees e.g. performance, advance payments and bid bonds. Access to those unsecured bi-lateral guarantee arrangements from financial institutions in support of these instruments is fundamental to the Group's ability to compete, particularly for large EPIC contracts. In rare instances clients may request specific payment terms such as extended payment terms or payment deferrals which can negatively impact the cash flow profile of projects. The availability of short-term and long-term external financing is required to help meet the Group's financial obligations as they fall due. In the event that such financing were to be unavailable, reduced or withdrawn, the Group's activities would be significantly constrained.	In addition to using its cash and cash equivalents balance and cash generated from operations, the Group has access to committed financing facilities to meet its core financing and working capital needs. The Group's cash position, liquidity, debt leverage and credit rating-related metrics are monitored closely by both the Executive Management Team and the Board of Directors. The Group works to mitigate client payment deferral request risks through its contract terms. In addition, the Group continuously assesses the creditworthiness of its client and supplier base.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors is responsible for oversight of the Group's system of risk management and internal controls and for reviewing its effectiveness. The Board of Directors recognises that any system of internal controls can only provide reasonable and not absolute assurance that material financial misstatement and/or fraud will be detected or that the risk of failure to achieve business objectives is eliminated.

The Group's systems of internal controls operate through a number of processes. The more significant include:

- Delegated authority level matrices with certain matters being reserved for the Board of Directors
- Annual review of the strategy, plans and budgets of individual business units to identify the key risks to the achievement of the Group's objectives
- Monthly financial and operational performance reviews against budgets
- Individual tender and contract reviews at various levels throughout the Group
- Capital expenditure and investment reviews and authorisation
- Regular reviews and reporting on the effectiveness of the Group's HSSEQ processes
- Group treasury policies
- Group taxation compliance and reporting policies and systems
- The Group's whistleblowing policy, which allows individuals to raise concerns in confidence about potential breaches of the Code of Conduct
- Data Governance Council – reviews and monitors the Data Privacy Council (DPC) work in ensuring the Group's adherence to GDPR
- Quarterly reporting to the Executive Management Team from the Global Applications and Systems Steering Committee (GASSC) on the integrity and security of its business and IT systems, including cyber risk
- Cyclical reviews of all non wholly-owned subsidiaries, joint ventures and associates by the Joint Venture Steering Committee

The Group's internal audit function, which reports directly to the Audit Committee, performs independent reviews of key business financial processes and controls and other areas considered to be of high business risk. The Audit Committee annually reviews and approves the internal audit plan and receives regular updates on internal audit's findings and the actions taken by management to address these. The role of the Executive Risk Committee is to meet quarterly to review the risks identified as impacting or having the potential to impact the Group's operations and strategic objectives as well as discussing emerging risks.

David Mullen
Chairman of the Corporate Governance and Nominations Committee

CREATING SUSTAINABLE VALUE FOR SHAREHOLDERS

As Chairman of the Corporate Governance and Nominations Committee and Senior Independent Director my objective is to provide independent oversight and constructive challenge in order to ensure that the Company's corporate governance supports its strategic goals.

CHANGES TO BOARD COMPOSITION

This past year has seen some changes to our Board composition. The Board welcomed Eldar Sætre as an Independent Director and Louisa Siem as a non-Independent Director (their biographies are on pages 38 to 39). We also bid farewell to Ms Elisabeth Proust and I would like to take this opportunity to thank Elisabeth for her very valuable contributions to the Board.

During 2021 the Board adopted a Board Diversity Policy, the purpose of which is to ensure that the Board as a whole has the skills, expertise and experience to guide the business and strategy of Subsea 7. This policy will continue to be a focus area for the Board over the next few years.

WORK OF THE BOARD DURING 2021

Covid-19 related restrictions on travel meant that Board meetings and shareholders meetings could not proceed on an in-person basis for most of the calendar year 2021. However, in September the Board was able to resume face-to-face meetings for the first time since February 2020. It was great to be back together and to meet the recently appointed Board members in person.

Despite the limitations on physical meetings, it was nonetheless a very productive year for the Board where we oversaw a number of important strategic projects including the combination of Subsea 7's fixed offshore wind business with OHT ASA, creating Seaway 7 ASA, a global leader in the delivery of fixed offshore wind farm solutions. Subsea 7 also acquired a majority interest in Nautilus Floating Solutions S.L., a developer of technology for the floating wind market based in Bilbao, Spain and formed a joint venture partnership with Simply Blue Energy in order to develop the Salamander floating wind project off the coast of Scotland. The Board of Directors was pleased to approve these transactions, which represent fundamental building blocks in our energy transition strategy.

SUSTAINABILITY

Sustainability has continued to be a key area of focus for the Board. This year we committed to align with the UN Paris Agreement to target Net Zero emissions by 2050, with an interim target of a 50% reduction in the Company's carbon emissions by 2035. In addition, the alignment of our disclosures with the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD) has been identified by the Board as a focus area. You will find more detail on the Company's work on sustainability in the Sustainability Report, which has been published concurrently with the Annual Report. You can also read more about Subsea 7's six sustainability priorities and the progress made in relation to each priority in 2021 on pages 18 to 20.

BOARD EVALUATION

The periodic external evaluation of the Board was postponed in 2020 due to Covid-19 related logistic constraints. I am pleased to report the external evaluation was recently completed. An external independent practice led by experienced advisers was appointed to conduct an independent evaluation. The evaluation was based on a questionnaire and interview process, which took place in January 2022. The results were delivered to the Board in February 2022 and highlighted a well-performing Board. During 2022 we will continue to make improvements to Board practices based upon the results.

REGULATORY FRAMEWORK

Following the forthcoming implementation of the EU Central Securities Depositories Regulation in Norway and as a company listed on the Oslo stock exchange, the Company is required to transform its shares from registered form into fully dematerialised shares. In order to do this, it will be necessary to first amend the Articles of Incorporation of the Company to permit dematerialisation. An extraordinary general meeting of shareholders will be convened on 12 April 2022 to request that the shareholders approve the change. The Board of Directors believes that the dematerialisation of the Company's shares will be in the best interests of the Company's shareholders and recommends that shareholders vote in favour of the amendment.

Despite the continuing challenges faced, 2021 was again a productive year and as a Board, we kept our focus on corporate governance that supports the strategic goals of the Company and delivers sustainable value to our shareholders.

GOVERNANCE AT A GLANCE

The areas listed below, on which we report on the pages indicated, are aligned with the Norwegian Code of Practice for Corporate Governance.

	Page
Implementation and reporting on corporate governance	46
Business	42
Equity and dividends	47
Equal treatment of shareholders and transactions with close associates	47
Shares and negotiability	47
General meetings	46
Nominations Committee	48
Board of Directors: composition and independence	43
Work of the Board of Directors	44
Risk management and internal control	45
Remuneration of the Board of Directors	49
Remuneration of executive personnel	49
Information and communications	51
Take-overs	51
Auditor	51

BOARD OF DIRECTORS

KRISTIAN SIEM
Chairman

Mr Siem brings an extensive knowledge of the offshore oil and gas services business worldwide from previous senior executive and non-executive roles combined with long-standing experience as chairman of public companies listed in the US, UK and Norway. Mr Siem is the founder of the Siem Industries Group and has been Director and Chairman of Siem Industries since 1982. Prior to joining the Group, he held several management positions with the Fred. Olsen Group in the US and Norway. Mr Siem has previously held directorships and executive positions at Kvaerner ASA, Transocean Inc. and Norwegian Cruise Line. He holds a degree in Business Economics.

DAVID MULLEN
Senior Independent Director*

Mr Mullen brings over 30 years' experience in the oil services business. He has previously held the position of CEO at two other companies in the subsea industry, Wellstream Holdings PLC and Ocean Rig ASA. Prior to these appointments he was Senior Vice President of Global Marketing, Business Development and M&A at Transocean from 2005 to 2008. Mr Mullen also had a 23-year career at Schlumberger, including as President of Oilfield Services for North and South America. He holds a Bachelor of Arts degree in Geology and Physics from Trinity College, Dublin, and an MSc degree in Geophysics from the National University of Ireland.

DOD FRASER
Independent Director*

Mr Fraser brings comprehensive experience in corporate finance and investment banking both internationally and in the United States. This is supplemented by extensive knowledge of corporate governance in his current and prior appointments as audit committee member. Mr Fraser served as a Managing Director and Group Executive with Chase Manhattan Bank, now JP Morgan Chase, leading the global oil and gas group from 1995 until 2000. Until 1995 he was a General Partner of Lazard Frères & Co. Mr Fraser has been a trustee of Resources for the Future, a Washington-based environmental policy think-tank. He is a graduate of Princeton University.

JEAN CAHUZAC
Director

Mr Cahuzac has wide multi-country technical, commercial and general management experience in senior executive roles in the oil and gas services sector spanning a period of 40 years. He was appointed Chief Executive Officer of Acergy S.A. in 2008 and in 2011, post merger, became the Chief Executive Officer of Subsea 7 S.A., a position he held until his retirement in December 2019. Mr Cahuzac was Chief Operating Officer and then President at Transocean from 2000 to 2008. He worked at Schlumberger from 1979 to 1999 in various field management positions and then as President of Sedco Forex. He holds a Master's degree in Engineering from École des Mines de St-Étienne and is a graduate of the French Petroleum Institute in Paris.

Date of appointment

Kristian Siem: Appointed Director and Chairman from January 2011. Prior to the merger of Acergy S.A. and Subsea 7 Inc. in January 2011 Mr Siem was Chairman of Subsea 7 Inc. from January 2002.

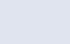
David Mullen: Appointed a Non-Executive Independent Director from April 2018 and appointed Senior Independent Director from January 2021.

Dod Fraser: Appointed a Non-Executive Independent Director from December 2009 (then named Acergy S.A.).

Jean Cahuzac: Appointed a Director from May 2008 (then named Acergy S.A.).

Committee membership

Kristian Siem:

David Mullen: 

Dod Fraser:

Jean Cahuzac:

Key external appointments

Kristian Siem: Chairman of Siem Industries S.A., Siem Offshore Inc. and Frupor S.A.

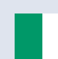
David Mullen: CEO and Director of Shelf Drilling Limited.

Dod Fraser: Director of Rayonier Inc. Director of Fleet Topco Limited, the private holding company of Argus Media Ltd. Director of OCI N.V.

Jean Cahuzac: Member of the Supervisory Board of Société Phocéenne de Participations. Director of Seadrill Limited.

Nationality and date of birth

Kristian Siem: 1949

David Mullen:  1958

Dod Fraser: 1950

Jean Cahuzac: 1954

Tenure

Kristian Siem: Re-elected by shareholders on 14 April 2021 until the 2023 AGM.

David Mullen: Re-elected by shareholders on 7 April 2020 until the 2022 AGM.

Dod Fraser: Re-elected by shareholders on 14 April 2021 until the 2023 AGM.

Jean Cahuzac: Re-elected by shareholders on 7 April 2020 until the 2022 AGM.

NIELS KIRK
Independent Director*

Mr Kirk brings to the role over 35 years of international corporate and structured finance experience combined with extensive knowledge of the energy, power and resource sectors at executive level. He is a co-founder and Chief Executive of the energy advisory firm Kirk Lovegrove and Company Ltd. Prior to this, he worked at Citibank and Banque Paribas. Mr Kirk is a former member of the Advisory Council of Advanced Power, which develops, acquires, owns and manages power generation and related infrastructure projects in Europe and North America. Mr Kirk holds an MBA in Finance and International Business from the Stern School at New York University.

ELDAR SÆTRE
Independent Director*

Mr Sætre brings a wealth of experience in the energy sector combined with extensive knowledge of accounting and finance. Mr Sætre was President and CEO of Equinor from February 2015 until he stepped down in November 2020. As CEO he was extensively engaged in transforming the cost base in the company and creating a more resilient global business, as well as transitioning Equinor into a broader energy company focused on low carbon strategies and new energy solutions. Prior to becoming CEO, Mr Sætre held several senior management positions in the company, mainly in the fields of accounting, finance and performance management. Mr Sætre has an MA in Business Economics from the Norwegian School of Economics and Business Administration (NHH) in Bergen.

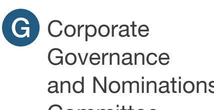
LOUISA SIEM
Director

Ms Siem is the daughter of Mr Kristian Siem and has been selected by Siem Industries S.A. in accordance with the relationship agreement entered into between Subsea 7 Inc., Subsea 7 S.A. (then Acergy S.A.), and Siem Industries S.A. (then Siem Industries Inc.) on 20 June 2010, in respect of the combination of Subsea 7 Inc. and Acergy S.A., which was completed on 7 January 2011. Ms Siem is an artist and holds a Bachelor of Fine Arts degree from the Ruskin School of Art at Oxford University. She has exhibited her work around the world and worked as a studio manager for world-renowned painter Harold Ancart in New York and Los Angeles.

Committee key

Chairman

Compensation Committee



Audit Committee

	Niels Kirk	Eldar Sætre	Louisa Siem
Date of appointment	Appointed a Non-Executive Independent Director from April 2018.	Appointed a Non-Executive Independent Director from June 2021.	Appointed a Non-Executive Director from June 2021.
Committee membership			
Key external appointments	Co-founder and CEO of Kirk, Lovegrove and Company Ltd.	Director of Fjord Base Holding AS and Trucknor AS. Chairman of the boards of Strømberg Gruppen AS, Vartdal Holding AS and Vartdal Plastindustri AS. Advisory role at Nysnø Climate Investments.	Ms Siem has no other external appointments with public companies.
Nationality and date of birth	1962	1956	1992
Tenure	Re-elected by shareholders on 7 April 2020 until the 2022 AGM.	Elected by shareholders on 14 April 2021, with effect from 1 June 2021, until the 2023 AGM.	Elected by shareholders on 4 June 2021 until the 2023 AGM.

* 'Independent' is defined by the rules and codes of corporate governance of the Oslo Børs on which Subsea 7 S.A. is listed, which the Board must satisfy, in particular the Norwegian Code of Practice for Corporate Governance. Under the terms of the Company's Articles of Incorporation, Directors may be elected for terms of up to two years and serve until their successors are elected. Under the Company's Articles of Incorporation, the Board must consist of not fewer than three Directors.

EXECUTIVE MANAGEMENT TEAM

JOHN EVANS
Chief Executive Officer

John has over 30 years of experience in the oil and gas services industry, primarily in the SURF and offshore engineering and construction sectors. He started his career in 1986, working with Brown & Root, and built a successful track record in general management, and commercial and operational roles in the offshore oil and gas industry.

Prior to his current appointment, from July 2005, John held the position of Chief Operating Officer of Subsea 7.

John has a Bachelor of Engineering degree in Mechanical Engineering from Cardiff University, is a Chartered Mechanical and Marine Engineer and a Chartered Director.

Date of appointment

John has been Chief Executive Officer of Subsea 7 since January 2020 and on the Board of Directors of Seaway 7 since October 2021.

Nationality and date of birth

1963

MARK FOLEY
Chief Financial Officer

Mark started his career in 1996 with the UK's Government Economic Service. In 2000, he joined Royal Dutch Shell and held several finance positions with increasing responsibility. Between 2011 and 2012, he was Vice President Finance for Baker Hughes in Europe and, from 2012 to 2017, he was Group Financial Controller for Subsea 7. In October 2021, he returned to Subsea 7 from Petrofac where he was Group Financial Controller and Senior Vice President Finance for its Engineering & Construction business unit.

Mark has undergraduate and postgraduate degrees in Economics from the Universities of Stirling and Strathclyde respectively, an MBA from the University of Warwick and is a Fellow of the Association of Chartered Certified Accountants.

Date of appointment

Mark has been Chief Financial Officer since January 2022.

Nationality and date of birth

1973

OLIVIER BLARINGHEM
Executive Vice President – Subsea and Conventional

Olivier started his career in the oil and gas engineering and contracting sector in 1995, working for seven years with Entrepose Contracting in project management and commercial roles, based in Nigeria, China and France.

Since joining Subsea 7 in 2002, Olivier has held a number of country, regional and corporate management positions based in the North Sea, Africa, Asia and the Middle East. In 2016, Olivier was appointed Vice President of Asia Pacific and the Middle East until his appointment to Executive Vice President – SURF and Conventional in January 2020.

Olivier has a degree in Mechanical and Electrical Engineering from the École Spéciale des Travaux Publics in Paris.

Date of appointment

Olivier was appointed Executive Vice President – Subsea and Conventional in January 2020.

Nationality and date of birth

1970

PHILLIP SIMONS
Executive Vice President – Projects and Operations

Phil began his career in 1987 in offshore drilling until 1992 when he became an engineer for pipeline installation contractor, European Marine Contractors. Phil has more than 20 years' experience in the subsea pipelines business.

Phil joined Subsea 7 in Aberdeen in 2004 as a senior project manager and in 2011 was appointed Vice President for Canada, Mediterranean and Russia. In 2013 he was appointed Vice President UK and Canada before taking up the role of Vice President for North Sea and Canada in 2016. In 2018 Phil was appointed Senior Vice President Global Projects and Operations.

Phil has a Bachelor of Engineering degree in Mining Engineering from the University of Leeds.

Date of appointment

Phil was appointed Executive Vice President – Projects and Operations in January 2020.

Nationality and date of birth

1966

NATHALIE LOUYS

General Counsel

Nathalie began her legal career in 1986, working with Saint-Gobain and Eurotunnel, gaining extensive legal experience across various industries. In 1996 she joined Technip, based in Paris, progressing to the role of Vice President Legal – Offshore.

In 2006 Nathalie joined Subsea 7 performing senior corporate and operational legal roles. Prior to her current appointment Nathalie was Vice President Legal – Commercial.

Nathalie has been admitted to the Paris Bar and has legal qualifications from University Paris I – Panthéon Sorbonne and Paris XI in France and the University of Kent in the UK.

KATHERINE LYNE

Executive Vice President – Human Resources

Kate began her career in the power generation sector with Alstom, where she held roles in Belgium, France, the UK and the US. In 2004 she moved to Imerys where she was initially HR Director for the Paper division before being appointed as HR Director for the Ceramics, Refractories, Abrasives, and Foundry business based in Paris.

In 2012 Kate joined Subsea 7 as Vice President Group Human Resources which she held until her current appointment.

Kate has a business degree from the University of Brighton and is a fellow of the Chartered Institute of Personnel and Development.

Date of appointment

Nathalie has been General Counsel of Subsea 7 since April 2012 and on the Board of Directors of Seaway 7 since October 2021.

Kate has been Executive Vice President – Human Resources since September 2019.

Nationality and date of birth

1963

1969

2021 CORPORATE GOVERNANCE REPORT REGULATORY COMPLIANCE

This section sets out the arrangements the Board has put in place to help ensure that it fulfils its corporate governance obligations, including the application of the principles of the Norwegian Code of Practice for Corporate Governance.

LEGAL AND REGULATORY FRAMEWORK

Subsea 7 S.A. is a 'société anonyme' organised in the Grand Duchy of Luxembourg under the Company Law of 1915, as amended, being incorporated in Luxembourg in 1993, and acts as the holding company for all of the Group's entities.

Subsea 7 S.A.'s registered office is located at 412F, route d'Esch, L-2086 Luxembourg. The Company is registered with the Luxembourg Register of Commerce and Companies under the designation 'R.C.S. Luxembourg B 43172'. As a company incorporated in Luxembourg and with shares traded on the Oslo stock exchange and ADRs traded over-the-counter in the US, Subsea 7 S.A. is subject to Luxembourg laws and regulations with respect to corporate governance.

As a company listed on the Oslo stock exchange, where its shares are actively traded, the Company follows the Norwegian Code of Practice for Corporate Governance on a 'comply or explain' basis, where this does not contradict Luxembourg laws and regulations. The Norwegian Code of Practice for Corporate Governance is available at www.nues.no.

The Group's corporate governance policies and procedures are explained below, with reference to the principles of corporate governance as set out in the sections identified in the Norwegian Code of Practice for Corporate Governance dated 14 October 2021.

ARTICLES OF INCORPORATION – NATURE OF THE GROUP'S BUSINESS

As stated in its Articles of Incorporation, Subsea 7 S.A.'s business activities are as follows:

"The objects of the Company are to invest in subsidiaries which predominantly will provide subsea construction, maintenance, inspection, survey and engineering services, in particular for offshore energy related industries. The Company may further itself provide such subsea construction, maintenance, inspection, survey and engineering services, and services ancillary to such services.

The Company may, without restriction, carry out any and all acts and do any and all things that are not prohibited by law in connection with its corporate objects and to do such things in any part of the world whether as principal, agent, contractor or otherwise. More generally, the Company may participate in any manner in all commercial, industrial, financial and other enterprises of Luxembourg or foreign nationality through the acquisition by participation, subscription, purchase, option or by any other means of all shares, stocks, debentures, bonds or securities; the acquisition of patents and licences which it will administer and exploit; it may lend or borrow with or without security, provided that any monies so borrowed may only be used for the purposes of the Company, or companies which are subsidiaries of or associated with or affiliated to the Company; it may grant assistance, including, without limitation, grant parent company guarantees, to any affiliated company and take any measure for the control and supervision of such companies; in general it may undertake any operations directly or indirectly connected with these objects."

The full text of the Company's Articles of Incorporation, as amended, is available on Subsea 7's website.

BUSINESS

The Board of Directors has set strategies and targets for the Company's business. Since 1 January 2021, the Group has structured itself around its diversified strengths, reporting through two operational business units: Subsea and Conventional, and Renewables.

The Subsea and Conventional business unit is a global leader in offshore energy services delivering design, engineering, procurement, construction and installation (EPCI), and decommissioning projects in all water depths, operating under the Subsea 7 brand.

The Renewables business unit is an experienced partner for the delivery of offshore wind farm projects and specialist foundations and cable lay services, mainly operating under the Seaway 7 brand.

Further details of the Group's business units are outlined in the 'Strategy' and 'Business Review' sections on pages 10 to 17.

BOARD OF DIRECTORS

KRISTIAN SIEM Chairman	**DAVID MULLEN** Senior Independent Director	**JEAN CAHUZAC** Director	**DOD FRASER** Independent Director
NIELS KIRK Independent Director	**ELDAR SÆTRE** Independent Director	**LOUISA SIEM** Director	

BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

As a Luxembourg incorporated entity, the Company does not have a corporate assembly.

The Board of Directors comprises seven Directors. The majority of the Directors were, during the year ended 31 December 2021, considered independent in accordance with the rules of the Oslo stock exchange on which Subsea 7 S.A. is listed and the independence criteria of the Norwegian Code of Practice for Corporate Governance.

The Board has a Senior Independent Director elected from among its independent members to provide a sounding board for the Chairman and to serve as an intermediary for the other Directors when necessary.

Biographies of the individual Directors are detailed on pages 38 to 39.

The charters of the permanent committees do not permit executive management to be members. The composition of the Company's Board of Directors and the controls to avoid conflicts of interest are in accordance with both Luxembourg company law and good corporate governance practice.

During 2021 the Board of Directors adopted a Board Diversity Policy, the purpose of which is to ensure an inclusive and diverse membership of the Board of Directors and that the Board as a whole has the skills, expertise and experience to guide the business and strategy of the Company for the benefit of its shareholders as a whole, having regard to the interests of all its stakeholders.

This Board Diversity Policy is applicable to the Board only but sits alongside the Company's Code of Conduct and associated global policies, which set out the Company's broader commitment to diversity and inclusion. Other details of the Company's practices and initiatives in relation to diversity are disclosed on page 21.

The Board of Directors aspires to ultimately have 30% female representation on the Board, with a commitment to have at least one female Director whilst recognising that periods of change in Board composition may result in periods when this balance is not achieved.

The Corporate Governance and Nominations Committee is responsible for ensuring that the Board has the right balance of skills, experience and knowledge and shall, among other things, report annually, in the Company's Annual Report, on the implementation of the Board Diversity Policy and other matters as required by regulatory and statutory requirements applicable to the Company.

Prior to proposing candidates to the relevant general meeting for election to the Board of Directors, the Corporate Governance and Nominations Committee seeks to consult with the Company's major shareholders before recommending candidates to the Board of Directors.

Directors are elected by a general meeting for a term not exceeding two years and may be re-elected. Directors need not be shareholders. At a general meeting the shareholders may dismiss any Director, with or without cause, at any time notwithstanding any agreement between the Company and the Director. Such dismissal may not prejudice the claims that a Director may have for indemnification as provided for in the Articles of Incorporation or for a breach of any contract existing between him or her and the Company.

If there is a vacancy on the Board of Directors, the remaining Directors appointed at a general meeting have the right to appoint a replacement Director until the next meeting of shareholders, who will be asked to confirm such appointment.

With the exception of a candidate recommended by the Board of Directors, or a Director whose term of office expires at a general meeting of the Company, no candidate may be appointed unless at least three days and no more than 22 days before the date of the relevant meeting, a written proposal, signed by a duly authorised shareholder, shall have been deposited at the registered office of the Company together with a written declaration, signed by the proposed candidate, confirming his or her wish to be appointed.

The Directors of the Board are encouraged to hold shares in the Company as the Board of Directors believes it promotes a common financial interest between the members of the Board of Directors and the shareholders of the Company. Details of the Directors' shareholdings are on page 127.

WORK OF THE BOARD OF DIRECTORS

The Board of Directors adheres to a Board Charter which sets out the instructions for the Board.

The main responsibilities of the Board of Directors are:

1. Setting the Values used to guide the affairs of the Group. This includes the Group's commitment to achieving its health and safety vision and the Group's adherence to the highest ethical standards in all of its operations worldwide.
2. Integrating environmental improvement into business plans and strategies, and seeking to embed sustainability into the Group's business processes.
3. Overseeing the Group's compliance with its statutory and regulatory obligations and ensuring that systems and processes are in place to enable these obligations to be met.
4. Setting the strategy and targets of the Group.
5. Establishing and maintaining an effective corporate structure for the Group.
6. Overseeing the Group's compliance with financial reporting and disclosure obligations.
7. Overseeing the risk management of the Group.
8. Overseeing Group communications.
9. Determining its own composition, subject to the provisions of the Company's Articles of Incorporation.
10. Ensuring the effective corporate governance of the Group.
11. Approving the remuneration package for the CEO based upon the recommendation of the Compensation Committee.
12. Setting and approving policies.

The Board of Directors' Charter is available on the Subsea 7 website: www.subsea7.com.

RESPONSIBILITIES DURING THE YEAR

During the year, the Board of Directors sets a plan for its work for the following year, which includes a review of strategy, objectives and their implementation, the review and approval of the annual budget and the review and monitoring of the Group's current year financial performance. In 2022, the Board of Directors is scheduled to convene on seven occasions, but the schedule is flexible to react to operational or strategic changes in the market and circumstances affecting the Group.

The Board of Directors has overall responsibility for the management of the Group and has delegated the daily management and operations of the Group to the CEO, who is appointed by and serves at the discretion of the Board of Directors. The CEO is supported by the other members of the Executive Management Team, further details of which are on pages 40 to 41.

The Executive Management Team has the collective duty to deliver Subsea 7's strategic, financial and other objectives, as well as to safeguard the Group's assets, organisation and reputation. The Board of Directors has internal regulations for its own operation and approves objectives for its own work, as well as the work of the Executive Management Team, with particular emphasis on clear internal allocation of responsibility and duties.

It is the duty of the Executive Management Team to provide the Board of Directors with appropriate, precise and timely information on the operations and financial performance of the Group, in order for the Board of Directors to perform its duties. The Board of Directors has established a Corporate Governance and Nominations

2021 MEETING ATTENDANCE

	Board	Audit Committee*	Corporate Governance and Nominations Committee*	Compensation Committee
Kristian Siem	9/9		6/6	5/5
David Mullen	9/9	5/5	6/6	
Jean Cahuzac	9/9	4/4		
Dod Fraser	9/9	6/6		
Niels Kirk	9/9	2/2	6/6	5/5
Eldar Sætre**	5/5			3/3
Louisa Siem**	4/4			
Elisabeth Proust**	4/4	1/1		1/1
Allen Stevens***				1/1
Total meetings in 2021****	9	6	6	5

* A joint session of the Audit Committee and the Corporate Governance and Nominations Committee was held on 23 February 2021 at which all members of both committees were present.

** Eldar Sætre and Louisa Siem were appointed as Directors with effect from 1 June 2021 and 4 June 2021 respectively. Elisabeth Proust's mandate expired on 14 April 2021.

*** Allen Stevens passed away on 10 January 2021.

**** Each Director's attendance is shown as a proportion of the total number of meetings they were eligible to attend.

Committee, a Compensation Committee and an Audit Committee, each of which has a charter approved by the Board of Directors. Matters are delegated to the committees as appropriate. The Directors appointed to these committees are selected based on their experience and to ensure the committees operate in an effective manner. The minutes of all committee meetings are circulated to all Directors.

The performance and expertise of the Board of Directors are monitored and reviewed annually, including an evaluation of the composition of the Board of Directors and the manner in which its members function, both individually and as a collegiate body. In line with best practice, the evaluation of the performance of the Board of Directors is conducted by an external facilitator every third year. Following the postponement of the external review in 2020 as a result of the Covid-19 pandemic, the evaluation of the performance of the Board of Directors during the 2021 year was conducted by an independent external facilitator and the results of the evaluation were shared with the Corporate Governance and Nominations Committee.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors acknowledges its responsibility for the Group's identification and management of risk along with the system of internal control and for reviewing the effectiveness of these. The Group's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material financial misstatement or loss. The Board of Directors carries out an annual review of the Group's most important areas of exposure to risk and its internal control arrangements, having regard to the changing nature of risk and the Group's ability to cope with them.

The Group adopts internal controls appropriate to its business activities and geographical spread. The key components of the Group's system of risk management and internal control are described in the Risk Management section on pages 24 to 36. The Group has in place clearly defined lines of responsibility and limits of delegated authority. Comprehensive procedures provide for the appraisal, approval, control and review of capital expenditure. An Executive Risk Committee meets on a quarterly basis to review and discuss the Group's risk and risk management procedures and reports to the Board. The Executive Management Team also meets with functional senior management on a regular basis to discuss particular issues, including key operational and commercial risks, health and safety performance, sustainability, environmental factors, and legal and financial matters.

The Group has a comprehensive annual planning and management reporting process. A detailed annual budget is prepared in advance of each year and supplemented by forecasts updated during the course of the year. Financial results are reported monthly to the Executive Management Team and quarterly to the Board of Directors and compared to budget, forecasts, market consensus and prior year results.

The Board of Directors reviews reports on actual financial performance and forward-looking financial guidance.

The Board of Directors derives further assurances from the reports of the Audit Committee. The Audit Committee has been delegated responsibility to review the effectiveness of the internal financial control systems implemented by management and is assisted by the internal audit function and the external auditor where appropriate.

SUSTAINABILITY

The Board of Directors is responsible for guiding the Company's sustainability strategy and when defining the objectives, strategies and risk profiles for the Company's business activities, sustainability risks and opportunities are considered. Sustainability represents a permanent feature on every Board agenda, and this is in line with the Board's aim to carry out business in a manner that is sustainable for the Company's shareholders, having regard to financial, social and environmental considerations.

COMMUNICATION WITH STAKEHOLDERS

IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

Subsea 7 S.A. acknowledges the division of roles between shareholders, the Board of Directors and the Executive Management Team. The Group further ensures good governance is adopted by holding regular Board of Directors' meetings, which the Executive Management Team attends and at which strategic, operational and financial matters are presented.

The Group's vision is: To lead the way in the delivery of offshore projects and services for the energy industry.

The Group's Values are: Safety, Integrity, Sustainability, Innovation, Performance and Collaboration.

In pursuit of the six Values, the Group has an Ethics Policy Statement and a Code of Conduct which reflect its commitment to clients, shareholders, employees and other stakeholders to conduct business legally and with integrity and honesty. The Ethics Policy Statement and the Code of Conduct were approved by the Board of Directors and were issued to all Directors, officers and employees and are subject to periodic review and updating.

GENERAL MEETINGS

The Articles of Incorporation provide that the Annual General Meeting (AGM) shall be held within six months from the end of the financial year and in 2022 it will be held on 12 April.

The notice of meeting and agenda documents for the AGM are posted on the Group's website at least 21 days prior to the meeting and shareholders receive the information at least 21 days prior to the meeting by mail. Documentation from previous AGMs is available on the Subsea 7 website: www.subsea7.com.

All shareholders that are registered with the Norwegian Central Securities Depository System receive a written notice of the AGM. The Company will set a record date as close as practicable to the date of the AGM, taking into account the differing deadlines for ADR and common share proxies. Subject to the procedures described in the Articles of Incorporation, all shareholders holding individually or collectively at least 10% of the issued shares have the right to submit proposals or draft resolutions. All shareholders on the register as at the record date will be eligible to attend in person, or vote by proxy, at the AGM.

Proxy forms are available and may be submitted by eligible shareholders which allow separate voting instructions to be given for each proposed resolution to one of the representatives indicated on the proxy form and also allow a person to be nominated to vote on behalf of shareholders as their proxy. There will be a separate vote for each candidate nominated for election to the Board of Directors. Details will be provided in the resolutions and supporting information distributed to the shareholders ahead of the AGM.

Under Luxembourg law, there are minimum quorum requirements for extraordinary general meetings but no minimum quorum requirement for AGMs. Decisions will be validly made at the AGM regardless of the number of shares represented if approval is obtained from the majority of the votes of those shareholders that are present or represented.

The Articles of Incorporation of the Company provide that the AGM will be chaired by the Chairman of the Board of Directors. However, the Board of Directors ordinarily delegates authority to the Company Secretary to chair the AGM. If a majority of the shareholders request an alternative independent chairman, one will be appointed.

At the AGM, the shareholders, inter alia, elect members of the Board of Directors for nominated terms of appointment, approve the Company's Annual Accounts, the Group's Annual Report and Consolidated Financial Statements, discharge the Directors from their duties for the financial year and approve the statutory auditor's appointment. In accordance with Luxembourg law and the Company's Articles of Incorporation, the Chairman of the Board is elected by the Board of Directors based on its insight into who has the most suitable level of understanding of the Company to carry out the duties of the Chairman.

EQUITY AND DIVIDENDS

Shareholders' equity

Total shareholders' equity at 31 December 2021 was $4.5 billion (2020: $4.3 billion) which the Board of Directors believes is satisfactory given the Group's strategy, objectives and risk profile.

Dividend policy

It is Subsea 7's objective to give its shareholders an attractive return on their invested capital. The Group's commitment to returning capital to shareholders was reaffirmed by formalising the dividend policy of Subsea 7 in March 2022. The Board recognises the merits of establishing a regular dividend at this point in the evolution of the Group and recommends a regular, annual dividend of NOK 1.00 per share, equivalent to $33 million. The return of excess cash in the form of a special dividend or share repurchase will continue to be assessed by the Board annually. In 2022, reflecting the current valuation of Subsea 7 shares, the Group intends to distribute approximately $70 million through share repurchases. The dividend will normally be paid in the month following its approval at the AGM.

Equity mandates

At the extraordinary general meeting held on 14 April 2021, the Board of Directors' authority to approve the purchase of the Company's shares up to a maximum of 30,000,000 common shares (representing 10% of the issued common shares as at 14 April 2021) was granted until 14 April 2023. This authority is subject to certain purchase price conditions and is conditional on such purchases being made in open market transactions through the Oslo stock exchange, subject to certain limitations. The Board of Directors was also granted authority for a period ending on 14 October 2023 to cancel shares repurchased under such authorisation and to reduce the issued share capital through such cancellations.

At the same extraordinary general meeting the Company's shareholders approved the renewal of the authorised share capital at $900,000,000 (including the issued share capital) with authority for the Board of Directors to issue new common shares within the authorised unissued share capital and with any authorised but unissued common shares lapsing on 10 May 2023. Additionally, the Board of Directors was authorised to issue new shares within the authorised unissued share capital. The Board of Directors was authorised to waive, suppress or limit existing shareholders' preferential subscription rights up to a maximum of 30,000,000 common shares (representing 10% of the issued common shares as at 14 April 2021). These authorisations were granted for a period of two years, expiring on 10 May 2023, to reduce inter alia the administrative burden of convening an extraordinary general meeting annually.

An extraordinary general meeting will be held on 12 April 2022 at which it will be proposed that the shareholders approve an amendment to the Company's Articles of Incorporation in order to allow the dematerialisation of the Company's shares. Further detail of the proposed amendment can be found on page 37.

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

One class of shares

The Company has one class of shares which are listed on the Oslo stock exchange. Each share carries equal rights including an equal voting right at annual or extraordinary general meetings of shareholders of the Company. No shares carry any special control rights. The Articles of Incorporation contain no restrictions on voting rights.

Share issues

The Board of Directors is authorised to suppress the pre-emptive rights of shareholders under certain circumstances and within the limits set forth previously. This is to allow flexibility to deal with matters deemed to be in the best interest of the Company.

In the event of the Board of Directors resolving to issue new shares and waive the pre-emptive rights of existing shareholders, the Board of Directors intends to comply with the recommendation of the Norwegian Code of Practice for Corporate Governance that the justification for such waiver is noted in the stock exchange announcement relating to such a share issue.

Related party transactions

Any transactions between the Group and members of the Board of Directors, executive management or close associates are detailed in Note 34 'Related party transactions' to the Consolidated Financial Statements.

The Board of Directors' instructions contain provisions on how the Board of Directors and executive management will handle agreements with related parties and the Board of Directors will, from time to time, determine the necessity of obtaining third-party valuations on transactions with related parties. Under Luxembourg law, Directors may not vote on transactions in which they are directly or indirectly financially interested.

The Group's Code of Conduct requires any Director or employee to declare if they hold any direct or indirect financial interest in any transaction entered into by the Group.

Freely negotiable shares

Subsea 7 S.A.'s shares are traded as common shares on the Oslo stock exchange and as ADRs over-the-counter in the US.

All shares are freely negotiable. The Articles of Incorporation contain no form of restriction on the negotiability of shares in the Company.

CORPORATE GOVERNANCE AND NOMINATIONS COMMITTEE

COMMITTEE MEMBERS

David Mullen
Committee Chairman

Kristian Siem
Niels Kirk

The Board of Directors has established a Corporate Governance and Nominations Committee. The composition of this Committee is for the Board of Directors to determine in accordance with the Company's Articles of Incorporation. The Board of Directors believes that the Committee, comprising certain members of the Board of Directors, the majority of whom are independent of the Company's main shareholders, has the most suitable level of understanding of the Company to carry out the duties of the Committee.

The Corporate Governance and Nominations Committee's main responsibilities are:

1. Actively seeking and evaluating individuals qualified to become Directors of the Company and nominating candidates to the Board of Directors.
2. Periodically reviewing the composition and duties of the Company's permanent committees and recommending any changes to the Board of Directors.
3. Periodically reviewing the compensation of Directors and making any recommendations to the Board of Directors.
4. Annually reviewing the duties and performance of the Chairman of the Board and recommending to the Board of Directors a Director for election by the Board of Directors to the position of Chairman of the Board.
5. Annually reviewing the Company's corporate governance guidelines, procedures and policies for the Board of Directors and recommending to the Board of Directors any changes and/or additions thereto that they believe are desirable and/or required. These governance guidelines include the following:
   - How the Board of Directors is selected and compensated (for example, the size of the Board, Directors' compensation, qualifications, independence, retirement and conflicts of interests).
   - How the Board of Directors functions (for example, procedures for Board meetings, agendas, committee structure and format and distribution of Board materials).
   - How the Board of Directors interacts with shareholders and management (for example, selection and evaluation of the CEO, succession planning, communications with shareholders and access to management).
6. Overseeing the annual evaluation of the Board of Directors' performance.
7. Overseeing all aspects of Subsea 7's compliance and ethics programme. This will include a regular review of the structure of the compliance function, the scope of its activities and the effective implementation of the programme (including procedures for employees to raise concerns about breaches of the Code of Conduct and for such concerns to be investigated and remediated).
8. Annually reviewing the Committee's own performance.

The Corporate Governance and Nominations Committee Charter is available on the Subsea 7 website: www.subsea7.com.

COMPENSATION COMMITTEE

COMMITTEE MEMBERS

Kristian Siem
Committee Chairman

Eldar Sætre
Niels Kirk

The Compensation Committee has been established by the Board to assist in developing a fair compensation programme for the executive officers and to ensure compliance with legal requirements as to executive officer compensation. The Compensation Committee's main responsibilities are:

1. Annually reviewing and approving the compensation paid to the executive officers of the Company with the exception of the CEO where the Compensation Committee may make a recommendation to the Board of Directors.
2. Establishing annually performance objectives for the Company's CEO and annually reviewing the CEO's performance against objectives and setting the CEO's compensation based on its evaluation.
3. Overseeing the Company's Benefit Plans in accordance with the objectives of the Company established by the Board of Directors.
   - Reviewing executive compensation plans and making recommendations to the Board on the adoption of new plans or programmes.
4. Recommending to the Board of Directors the terms of any contractual agreements and any other similar arrangements that may be entered into with executive officers of the Company and its subsidiaries.
5. Approving appointments of the CEO, the CEO's direct reports and certain other appointments.
6. Preparing the report on executive compensation to be included in the Company's Annual Report and Consolidated Financial Statements.
7. Annually reviewing the Compensation Committee's own performance.

The Compensation Committee Charter is available on the Subsea 7 website: www.subsea7.com.

REMUNERATION OF THE BOARD OF DIRECTORS

The Company's Directors receive remuneration in accordance with their individual roles and committee membership. The Directors are encouraged to own shares in the Company but no longer participate in any incentive or share option schemes. The remuneration of the Board of Directors is approved at the AGM annually and is disclosed in Note 34 'Related party transactions' to the Consolidated Financial Statements. Directors are not permitted to undertake specific assignments for the Group unless these have been disclosed to and approved in advance by the Board of Directors.

REMUNERATION OF THE EXECUTIVE MANAGEMENT

The Group's remuneration policy is set by the Compensation Committee. The policy is designed to provide remuneration packages which will help to attract, retain and motivate senior management to achieve the Group's strategic objectives and to enhance shareholder value. The Compensation Committee also seeks to ensure that the remuneration policy is applied consistently across the Group and that remuneration is fair and transparent, while encouraging high performance.

The Compensation Committee benchmarks executive remuneration against comparable companies and seeks to ensure that the Group offers rewards and incentives which are competitive with those offered by the Group's peers. In benchmarking elements of remuneration against Subsea 7's peers, the Compensation Committee may from time to time take advice from external consultants.

Remuneration comprises base salary, bonus, share-based payments, benefits and pension. Performance related remuneration schemes define limits in respect of the absolute awards available. These are defined within the scheme arrangements and set out limits regarding total award in a given year and, in specific instances, the total award available to certain individuals.

ANNUAL SALARY REVIEW ARRANGEMENTS

The annual salary review is a key annual process that allows the Company to recognise our eligible employees' performance through an increase to base salary in line with Company performance, local performance and with an understanding of market rates.

Following the challenging year of 2020, there was no annual salary review budgeted for our onshore employees in 2021, however, as always we conducted market reviews across the business to

COMPENSATION COMMITTEE CONTINUED

ensure our salaries are aligned with the local markets we operate in and made salary adjustments where appropriate.

In recognition of the commitment shown by our offshore crew in ensuring our vessel operations continued during the global pandemic, an annual salary review was awarded to all our offshore employees. In addition, we reviewed and enhanced contractual terms and benefits.

SHORT-TERM INCENTIVE ARRANGEMENTS

The Group operates a common annual short-term incentive plan (bonus) with targets set by the Compensation Committee. The current performance conditions for executive officers are based upon the following metrics with the relevant weighting: Financial performance (45%), Project performance (20%), Safety performance (10%) and Personal objectives (25%).

For the January to December 2021 performance period, the Adjusted EBITDA threshold of $515 million was met, and net income was positive. The Committee agreed that the outcome corresponded with Subsea 7's performance over the period, therefore approved payment of the 2021 STIP to participants.

For the CEO, the maximum bonus opportunity in respect of 2021 was 150% of base salary. Based on performance against metrics, the bonus payable to the CEO in respect of 2021 was $481,913. For the CFO, the maximum bonus opportunity in respect of 2021 was 100% of base salary. Based on performance against metrics, the bonus payable to the CFO in respect of 2021 was $219,710.

LONG-TERM INCENTIVE ARRANGEMENTS

The Group currently operates a single long-term incentive arrangement, the 2018 Long-term Incentive Plan ('2018 LTIP') to reward and incentivise key management. The 2018 LTIP provides for conditional awards based upon performance conditions over a performance period of at least three years. The performance conditions are based upon two measures: relative Total Shareholder Return (TSR) and Return on Average Invested Capital (ROAIC) based upon a weighting of 65%/35%.

There is an award cap such that executive officers may not be granted shares in a single year that have an aggregate market value in excess of 150% of their annual base salary and must build up a shareholding with a fair value of 150% of their annual base salary. There are also former schemes which are now closed to new awards. Full details of the 2018 LTIP, including details of the LTIP 2018 award vesting, are set out in Note 35 'Share-based payments' to the Consolidated Financial Statements. A conditional award was made to the CEO on 1 October 2021 in respect of 50,000 shares, equivalent to 64% of base salary. No award was made to the CFO due to planned retirement effective 31 December 2021.

CHIEF EXECUTIVE OFFICER REMUNERATION

The remuneration package of the CEO was determined by the Board of Directors on the recommendation of the Compensation Committee. The compensation of the CEO is reported in Note 34 'Related party transactions' to the Consolidated Financial Statements.

CHIEF FINANCIAL OFFICER REMUNERATION

The remuneration package of the CFO was determined by the Compensation Committee. The compensation of the CFO is reported in Note 34 'Related party transactions' to the Consolidated Financial Statements.

EXECUTIVE MANAGEMENT TEAM REMUNERATION

The remuneration package of the other members of the Executive Management Team was determined by the Compensation Committee and is shown in aggregate in Note 34 'Related party transactions' to the Consolidated Financial Statements.

SHARE OWNERSHIP OF THE EXECUTIVE MANAGEMENT TEAM

Details of total performance shares and shares held in the Company by the Executive Management Team are shown in Note 34 'Related party transactions' to the Consolidated Financial Statements.

AUDIT COMMITTEE

COMMITTEE MEMBERS

Dod Fraser
Committee Chairman

Jean Cahuzac
David Mullen

The Audit Committee is responsible for ensuring that the Group has an independent and effective external and internal audit process. The Audit Committee supports the Board of Directors in the administration and exercise of its responsibility for supervisory oversight of financial reporting and internal control matters and to maintain appropriate relationships with the external auditor. A majority of the Audit Committee, including the Chairman, are independent as required by Luxembourg law.

The Audit Committee's main responsibilities include:

1. Monitoring the financial reporting process and submitting recommendations or proposals to ensure its integrity.
2. Monitoring the effectiveness of the Company's and the Group's internal quality controls, internal audit function, financial controls framework and, where applicable, risk management systems.
3. Monitoring the statutory audit of the Company's Annual Accounts and the Consolidated Financial Statements of the Group, in particular its performance, taking into account any findings and conclusions of the competent authority.
4. Reviewing the quarterly, half-yearly, interim and annual financial statements of the Group before their approval by the Board of Directors.
5. Informing the Board of Directors of the outcome of the statutory audit and explaining how the statutory audit contributed to the integrity of financial reporting and the role of the Committee in that process.
6. Reviewing and monitoring the independence of the external auditor, in particular with respect to the appropriateness of the provision of additional non-audit services to the Company and the Group and putting in place procedures and making

recommendations with respect to the selection and the appointment of the external auditor.

7. Reviewing the report from the external auditor on key matters arising from the Group and the Company statutory audits.
8. Dealing with complaints received directly or via management, including information received confidentially and anonymously, in relation to accounting, financial reporting, internal controls and external audit issues.
9. Reviewing the disclosure of transactions involving related parties.
10. Annually reviewing the Audit Committee's own performance.

The Audit Committee Charter is available on the Subsea 7 website: www.subsea7.com.

The terms of reference of the Audit Committee, as set out in the Audit Committee Charter, satisfy the requirements of applicable law and are in accordance with the Articles of Incorporation.

The Chairman of the Audit Committee is Dod Fraser, whose biography can be found on page 38. The Board of Directors has determined that Mr Fraser is the Audit Committee's financial expert and competent in accounting and audit practice with recent and relevant financial experience. The Audit Committee Charter requires that the Audit Committee shall consist of not less than three Directors. The Audit Committee meets at least four times a year and its meetings are attended by representatives of the external auditor and by the head of the internal audit function.

AUDITOR

The external auditor meets the Audit Committee annually regarding the planning and preparation of the audit of the Group's Consolidated Financial Statements and the Company's Annual Accounts.

The Audit Committee members hold separate discussions with the external auditor during the year without members of the Executive Management Team being present. The scope, resources and level of fees proposed by the external auditor in relation to the Group's and the Company's audits and related activities are approved by the Audit Committee.

The Audit Committee recognises that it is occasionally in the interest of the Group to engage its external auditor to undertake certain other non-prohibited non-audit assignments. Fees paid to the external auditor for audit and non-audit services are reported in Note 6 'Net operating income' to the Consolidated Financial Statements, which are in turn approved at the AGM. The Audit Committee also requests the external auditor to confirm annually in writing that the external auditor remains independent.

TAKE-OVERS

Subsea 7 S.A.'s Board of Directors endorses the principles concerning equal treatment of all shareholders. In the event of a take-over bid, it is obliged to act in accordance with the requirements of applicable Luxembourg and Norwegian law provisions and in accordance with the applicable principles for good corporate governance.

The Company has been notified of the following significant shareholders who control 5% or more of the voting rights of the Company:

	%[a]
Siem Industries Inc.	23.2
Folketrygdfondet	7.9

(a) Information is correct as at 31 December 2021.

INFORMATION AND COMMUNICATIONS

Subsea 7 S.A.'s Board of Directors concurs with the principles of equal treatment of all shareholders and the Group is committed to reporting financial results and other information on an accurate and timely basis. The Group provides information to the market through quarterly and annual reports, investor and analyst presentations which are available to the media and by making operational and financial information available on Subsea 7's website. Announcements are released through notification to the company disclosure systems of the Oslo stock exchange and the Luxembourg Commission de Surveillance du Secteur Financier and simultaneously on the Subsea 7 website. As a listed company, the Company complies with the relevant regulations regarding disclosure. Information is only provided in English.

The Company complies in all material respects with the Oslo stock exchange's Code of Practice for IR, which is available at www.oslobors.no/.

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the Consolidated Financial Statements and the Unconsolidated Financial Statements for the year ended 31 December 2021 have been prepared in accordance with current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and the Group taken as a whole. We also confirm that, to the best of our knowledge, the 2021 Annual Report, Consolidated Financial Statements and Unconsolidated Financial Statements include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties facing the Group.

By Order of the Board of Directors of Subsea 7 S.A.

Kristian Siem
Chairman

John Evans
Chief Executive Officer

FINANCIAL REVIEW

	Page
Management Report for Subsea 7 Group (the Group)	53
Management Report for Subsea 7 S.A. (the Company)	59

MANAGEMENT REPORT FOR SUBSEA 7 GROUP (THE GROUP)

Financial highlights

At a glance

- Revenue of $5.0 billion up 45% year-on-year
- Adjusted EBITDA of $521 million up 55% from 2020, equating to a margin of 10.4% up 70 basis points year-on-year
- Net income of $36 million compared to net loss of $1.1 billion in 2020
- Diluted earnings per share of $0.11 compared to diluted loss per share of $3.67 in 2020
- Cash and cash equivalents of $598 million and net debt (including lease liabilities) of $55 million at year end
- Liquidity of $1.4 billion with $956 million undrawn borrowing facilities at year end
- Backlog of $7.2 billion, the highest since 2015, with order intake of $6.1 billion equating to a book-to-bill of 1.2
- Formation of Seaway 7 ASA created a market leader in fixed offshore wind
- The Board has decided to adopt a regular dividend policy and has approved a $100 million return to shareholders in 2022, comprising a regular dividend of NOK 1.00 per share, to be recommended for shareholder approval at the AGM, and share repurchases of approximately $70 million
- Both the regular dividend policy and returns to shareholders mark the Board's confidence in the financial position and outlook for the Group

In $ millions, except Adjusted EBITDA margin and per share data	**2021 Audited**	2020 Audited
Revenue	**5,010**	3,466
Adjusted EBITDA[a]	**521**	337
Adjusted EBITDA margin[a]	**10.4%**	9.7%
Net operating income/(loss) excluding goodwill impairment charges	**72**	(428)
Goodwill impairment charges	**–**	(605)
Net operating income/(loss)	**72**	(1,034)
Net income/(loss)	**36**	(1,105)
Earnings per share – in $ per share		
Basic	**0.11**	(3.67)
Diluted[b]	**0.11**	(3.67)

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Backlog – unaudited[c]	**7,212**	6,214
Book-to-bill ratio – unaudited[c]	**1.2**	1.3
Cash and cash equivalents	**598**	512
Borrowings	**(422)**	(209)
Net cash excluding lease liabilities[d]	**176**	303
Net (debt)/cash including lease liabilities[d]	**(55)**	49

(a) For the explanation and reconciliation of Adjusted EBITDA and Adjusted EBITDA margin refer to 'Additional Information' on page 139.
(b) For the explanation and a reconciliation of diluted earnings per share refer to Note 11 'Earnings per share' to the Consolidated Financial Statements.
(c) Backlog is a non-IFRS measure. Book-to-bill ratio represents total order intake (excluding amounts related to business combinations) divided by revenue recognised in the year.
(d) Net cash/(debt) is a non-IFRS measure and is defined as cash and cash equivalents less borrowings.

Summary

The Group's financial performance in 2021 with revenue of $5.0 billion, net operating income of $72 million and Adjusted EBITDA of $521 million was supported by improving oil and gas prices and increased activities in the renewables fixed offshore wind market. The Covid-19 pandemic continued to have an adverse impact on the Group's results, particularly in the Renewables business unit which experienced delays on certain projects in Taiwan. During the year, a new challenge emerged as global supply chains tightened across many industries; the Group continued to successfully mitigate the majority of its exposure through a variety of mechanisms including back-to-back supplier contracts and index-linked pricing.

The Subsea and Conventional business unit experienced an increase in activities, associated with the early stages of a recovery in the oil and gas industry with revenue up 33% year-on-year and net operating income of $103 million compared to net operating loss of $246 million in 2020, which was primarily driven by $294 million of impairment charges related to vessels. There was a sharp upturn in tendering activity and greater demand for the Group's engineering services.

The Group's Renewables business unit continued to make progress and successfully combined with OHT ASA during the fourth quarter to create Seaway 7 ASA, a market leader in fixed offshore wind. Revenue in the Renewables business unit doubled year-on-year to $1.3 billion however net operating loss of $60 million reflected challenges in Taiwan related to Covid-19 restrictions.

Net cash generated from operations in 2021 was $293 million and free cash flow was $127 million after capital expenditure of $167 million. At 31 December 2021, the Group held cash and cash equivalents of $598 million and had liquidity of $1.4 billion with $956 million undrawn borrowing facilities at year end.

The Group's strategy in emerging energies was reinforced in 2021 through a step up in the Group's participation in floating wind, with the creation of the Salamander floating wind joint venture and the acquisition of a majority holding in Nautilus Floating Solutions. The Group also succeeded in winning its first carbon capture contract, for the Northern Lights project in Norway.

Outlook

In 2022, revenue is expected to be broadly in line with 2021 and Adjusted EBITDA and net operating income will be in line with or better than 2021. Management firmly believes that the market recovery is underway, supported by high levels of tendering in both business units, and with signs of improving pricing and payment terms for new awards. Management is confident that the Group's strong pipeline of prospects will translate into new orders during the coming year.

INCOME STATEMENT

Revenue

Revenue for the full year was $5.0 billion, an increase of $1.5 billion or 45% compared to 2020. This was driven by increased revenue in both the Renewables business unit, with increased activity on the Seagreen offshore wind project, UK, and the Subsea and Conventional business unit, with increased activity in West Africa, the Gulf of Mexico, the Middle East, Brazil, Turkey and Australia.

Adjusted EBITDA

Adjusted EBITDA and Adjusted EBITDA margin for the year were $521 million and 10.4% respectively, compared to Adjusted EBITDA of $337 million and Adjusted EBITDA margin of 9.7% in 2020.

Net operating income

Net operating income for the year was $72 million, compared to net operating loss of $428 million in 2020, excluding goodwill impairment charges.

The year-on-year improvement in net operating income was driven by:

- net operating income of $103 million in the Subsea and Conventional business unit, compared to net operating loss of $246 million in 2020 which included impairment charges related to property, plant and equipment and right-of-use assets of $294 million;
- a credit of $37 million in 2021 related to the Group's resizing programme compared to a charge of $86 million in 2020. The credit in 2021 resulted from downward revisions to restructuring cost estimates and the collection of aged receivables which had been credit impaired in the prior year;
- net costs of $27 million related to the Covid-19 pandemic compared to net costs of $70 million in 2020

partly offset by:

- net operating loss of $60 million in the Renewables business unit, which reflected continued delays to projects in Taiwan, compared to net operating loss of $40 million in 2020.

Net income

Net income was $36 million in 2021, compared to net loss of $1.1 billion in 2020.

The year-on-year improvement was primarily due to:

- increase in net operating income, of $500 million, excluding goodwill impairment charges;
- no goodwill impairment charges recognised in 2021 compared with charges of $605 million in 2020;
- net gain of $44 million in 2021 within other gains and losses, which included net foreign currency gains of $36 million, compared to net loss of $18 million in 2020, which included net foreign currency losses of $35 million

partly offset by:

- an increase of $31 million in taxation compared to 2020, mainly driven by the increase in income before tax combined with irrecoverable withholding taxes in certain jurisdictions. The effective tax rate for the year was 64%.

Earnings per share

Diluted earnings per share was $0.11 in 2021 compared to diluted loss per share of $3.67 in 2020, calculated using a weighted average number of shares of 299 million and 298 million respectively.

BUSINESS UNIT HIGHLIGHTS

For the year ended 31 December 2021

(in $ millions)	Subsea and Conventional	Renewables	Corporate	Total
Revenue				
Fixed-price projects	**3,015.2**	**1,259.3**	**9.5**	**4,284.0**
Day-rate projects	**659.4**	**0.2**	**66.4**	**726.0**
	3,674.6	**1,259.5**	**75.9**	**5,010.0**
Net operating income/(loss)	**102.7**	**(59.5)**	**28.5**	**71.7**
Finance income				**4.7**
Other gains and losses				**44.4**
Finance costs				**(20.1)**
Income before taxes				**100.7**
Adjusted EBITDA[(a)]	***468.0***	***3.8***	***49.1***	***520.9***
Adjusted EBITDA margin[(a)]	***12.7%***	***0.3%***	***64.7%***	***10.4%***

(a) Adjusted EBITDA and Adjusted EBITDA margin are non-IFRS measures. For explanations and reconciliations of Adjusted EBITDA and Adjusted EBITDA margin refer to 'Additional Information' on page 139.

For the year ended 31 December 2020

(in $ millions)	Subsea and Conventional Re-presented[(b)]	Renewables Re-presented[(b)]	Corporate Re-presented[(b)]	Total Re-presented[(b)]
Revenue				
Fixed-price projects	2,122.6	630.3	8.3	2,761.2
Day-rate projects	643.2	1.1	60.9	705.2
	2,765.8	631.4	69.2	3,466.4
Net operating loss excluding goodwill impairment charges	(245.8)	(39.7)	(142.9)	(428.4)
Impairment of goodwill	(592.2)	–	(13.2)	(605.4)
Net operating loss	(838.0)	(39.7)	(156.1)	(1,033.8)
Finance income				4.8
Other gains and losses				(18.3)
Finance costs				(24.6)
Loss before taxes				(1,071.9)
Adjusted EBITDA[(a)]	*427.0*	*11.6*	*(101.5)*	*337.1*
Adjusted EBITDA margin[(a)]	*15.4%*	*1.8%*	*n/a*	*9.7%*

(a) Adjusted EBITDA and Adjusted EBITDA margin are non-IFRS measures. For explanations and reconciliations of Adjusted EBITDA and Adjusted EBITDA margin refer to Additional Information' on page 139.
(b) Re-presented due to new organisational structure implemented from 1 January 2021.

Subsea and Conventional

Revenue for the year was $3.7 billion, an increase of $909 million or 33% compared to 2020.

During the year the Julimar project, Australia, the Lingshui project, China, the Ærfugl Phase 2 project, Norway, the Zinia project, Angola, and the Ichalkil project, in the Gulf of Mexico, were completed.

Work progressed on the Sangomar project, Senegal, the SLGC project, Angola, the Berri-Zuluf and 28 Jackets projects, Saudi Arabia, the Barossa project, Australia, the Sakarya project, Turkey, the Mad Dog 2, King's Quay and Colibri projects in the Gulf of Mexico, and the Johan Sverdrup Phase 2 project, Norway.

In Brazil, there were high levels of utilisation of the four PLSVs under long-term contracts with Petrobras and work progressed on the Bacalhau project.

Net operating income was $103 million in 2021 compared to net operating loss of $246 million in 2020 excluding goodwill impairment charges. The net operating loss in 2020 was primarily driven by impairment charges of $294 million related to vessels, equipment, and right-of-use assets.

Renewables

Revenue for the year was $1.3 billion compared to $631 million in 2020. The increase in revenue was due to increased activity, particularly in relation to the Seagreen offshore wind farm project, UK. Net operating loss for the year was $60 million compared to net operating loss of $40 million in 2020. The net operating loss in 2021 reflected delays to projects in Taiwan. An agreement was reached with the client on the Formosa 2 project, which defined the Group's remaining scope, revised schedule and remuneration. Barring any further impact of Covid-19, it is expected that the project will be substantially completed by mid-2022.

Corporate

Revenue, which was driven by the Group's autonomous wholly owned subsidiaries Xodus and 4Subsea and activities related to floating wind, was $76 million in 2021 compared to $69 million in 2020. Net operating income for the year was $29 million compared to net operating loss of $143 million in 2020, excluding goodwill impairment charges. The net operating income in 2021 benefitted from a credit of $37 million related to the Group's resizing programme following downward revisions of restructuring cost estimates. The net operating loss in 2020 was primarily driven by restructuring charges of $86 million and impairment charges of $29 million related to property, plant and equipment.

Vessel utilisation and fleet

Active Vessel Utilisation, which excludes stacked vessels, for 2021 was 83% compared with 77% for 2020. Total Vessel Utilisation was 77% compared to 69% in 2020.

At 31 December 2021 there were 38 vessels in the Group's fleet, comprising 34 active vessels, two vessels under construction and two stacked vessels. The business combination with OHT ASA in the fourth quarter resulted in the addition of five heavy transport vessels to the active fleet and two vessels under construction.

CASH FLOW

Cash flow statement

Cash and cash equivalents were $598 million at 31 December 2021, an increase of $86 million in the year. The movement in cash and cash equivalents during the year was mainly attributable to:

- net cash generated from operating activities of $293 million, which included adverse movements of $202 million in net operating assets and liabilities driven by:
  - an increase in operating receivables of $417 million; partly offset by:
  - an increase in operating liabilities of $224 million
- net cash used in investing activities of $184 million, which included purchases of property, plant and equipment and intangible assets of $167 million; and
- net cash used in financing activities of $23 million, which included:
  - payments related to lease liabilities of $93 million, dividends paid of $72 million, repayment of borrowings of $25 million and share repurchases of $21 million; partly offset by:
  - proceeds of borrowings of $200 million.

Free cash flow

The Group generated free cash flows of $127 million (2020: $264 million) which is defined as cash generated from operations of $293 million (2020: $447 million) less purchases of property, plant and equipment and intangible assets of $167 million (2020: $183 million).

BALANCE SHEET

Non-current assets

At 31 December 2021 total non-current assets were $4.7 billion (2020: $4.5 billion). The year-on-year increase of $199 million was driven by:

- increase in goodwill of $76 million, including $70 million recognised in relation to the business combination of the Group's Renewables business unit with OHT ASA. The calculation of goodwill related to OHT ASA included a downward fair value adjustment of $32 million applied to the acquired net assets of OHT ASA resulting from an onerous fixed-price contract provision existing at the date of the business combination; and
- net increase in property, plant and equipment of $98 million, including: $292 million recognised in relation to the business combination with OHT ASA; additions of $158 million; partly offset by depreciation charges of $341 million and impairment charges of $4 million.

Non-current liabilities

At 31 December 2021, total non-current liabilities were $638 million (2020: $491 million). The year-on year increase of $147 million was mainly driven by an increase in non-current borrowings of $176 million due to proceeds from borrowings of $200 million under the Group's UK Export Finance facility partly offset by scheduled repayment of borrowings of $25 million. In addition non-current lease liabilities reduced by $26 million as the Group reduced its commitment to vessels under long-term charters.

Net current assets

At 31 December 2021, total current assets were $2.3 billion (2020: $1.8 billion) and total current liabilities were $1.9 billion (2020: $1.6 billion), resulting in net current assets of $467 million (2020: $284 million). The increase of $182 million in the year was driven by:

- increase in trade and other receivables of $65 million and an increase in construction contract assets of $318 million, reflecting a significant increase in operating activities and revenue in Q4 2021 compared to Q4 2020;
- increase in cash and cash equivalents of $86 million

partly offset by:

- increase in trade payables and other liabilities of $371 million reflecting a significant increase in operating activities in Q4 2021 compared to Q4 2020.

Equity

At 31 December 2021 total equity was $4.5 billion (2020: $4.3 billion). The increase of $234 million during the year reflects:

- net income of $36 million;
- recognition of non-controlling interests of $277 million related to the business combination with OHT ASA

partly offset by:

- special dividends declared of $70 million; and
- share repurchases of $21 million.

BORROWINGS, LEASE LIABILITIES, NET CASH/(DEBT) AND LIQUIDITY

Borrowings

At 31 December 2021, total borrowings were $422 million (2020: $209 million). The increase in borrowings of $213 million during the year was driven by: proceeds from borrowings of $200 million under the Group’s UK Export Finance facility; recognition of a $37 million revolving credit facility at the date of the business combination with OHT ASA; partly offset by scheduled repayments of $25 million related to the Group’s South Korean Export Credit Agency facility.

A summary of the borrowing facilities available to the Group at 31 December 2021 is as follows:

(in $ millions)	Total facility	Drawn	Undrawn	Maturity date
Seaway 7 ASA Revolving Credit Facility[a]	37.0	(37.0)	–	January 2022
The multi-currency revolving credit and guarantee facility	656.0	–	656.0	September 2023
UK Export Finance (UKEF) facility	500.0	(200.0)	300.0	December 2026
South Korean Export Credit Agency (ECA) facility	184.9	(184.9)	–	July 2027
Total	**1,377.9**	**(421.9)**	**956.0**	

(a) The Group recognised the Seaway 7 ASA Revolving Credit Facility on 1 October 2021 following the business combination with OHT ASA; the facility was repaid in full in January 2022.

Lease liabilities

At 31 December 2021, lease liabilities were $231 million, a decrease of $23 million compared with 31 December 2020.

Net cash/(debt)

At 31 December 2021:

- net cash (excluding lease liabilities) was $176 million compared to net cash of $303 million at 31 December 2020; and
- net debt (including lease liabilities) was $55 million, compared to net cash of $49 million at 31 December 2020.

Gearing

At 31 December 2021, gross gearing (borrowings divided by total equity) was 9.4% (2020: 4.9%).

Liquidity

At 31 December 2021, the Group’s liquidity, represented by cash and cash equivalents and undrawn borrowing facilities, was $1.6 billion (2020: $1.1 billion).

Cash management constraints

The Group operates within a liquidity risk management framework which governs its management of short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by ensuring that it has access to sufficient cash, banking and borrowing facilities. This is achieved by regularly monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities where appropriate.

Financial covenant compliance

The Group’s committed borrowing facilities contain financial covenants relating to a maximum level of net debt (excluding lease liabilities) to EBITDA. During the year, all financial covenants were met. The Group expects to be able to comply with all financial covenants during 2022.

Shareholder distributions

Share repurchase programme

During 2021, 2,724,172 shares were repurchased under the Group’s share repurchase programme authorised on 24 July 2019, extended on 15 April 2021. At 31 December 2021, the Group had cumulatively repurchased 2,724,172 shares for a total consideration of $21.0 million under this programme. At 31 December 2021, the Group directly held 4,534,107 shares (2020: 2,326,683) as treasury shares, representing 1.51% (2020: 0.77%) of the total number of issued shares.

Special dividends

During the year ended 31 December 2021, special dividends totalling $70 million were declared (2020: $nil) and $72 million was paid to shareholders of the parent company (2020: $nil). The special dividend was paid in Norwegian Krone and the difference between the amount declared and the amount paid related to foreign exchange rate fluctuations between the date of declaration and payment.

SHAREHOLDERS

The 20 largest shareholders of the Group at 31 December 2021 (with their respective shareholdings at 31 December 2020) and their beneficial ownership[a] as a percentage of the total fully paid and issued common shares of the Company were:

As at	**2021 31 Dec %**	2020 31 Dec %
Siem Industries S.A.	**23.2**	24.3
Folketrygdfondet	**7.9**	9.5
BlackRock Institutional Trust Company, N.A.	**4.0**	3.7
Fidelity Management & Research Company LLC	**3.2**	3.1
DNB Asset Management AS	**2.6**	2.6
Trinity Street Asset Management LLP	**2.6**	3.1
Storebrand Kapitalforvaltning AS	**2.2**	2.2
The Vanguard Group, Inc.	**2.1**	2.0
Pareto Asset Management AS	**1.9**	1.7
SAFE Investment Company Limited	**1.9**	1.9
Robotti & Company Advisors, LLC	**1.8**	1.9
ODIN Forvaltning AS	**1.7**	1.2
KLP Forsikring	**1.7**	1.7
Nordea Funds Oy	**1.7**	1.7
Mandarine Gestion	**1.2**	0.8
SEB Investment Management AB	**1.0**	0.3
Schroder Investment Management AB	**0.9**	0.5
Third Avenue Management LLC	**0.9**	0.6
BlackRock Investment Management (UK) Ltd.	**0.9**	0.9
Holberg Fondsforvaltning AS	**0.9**	0.5

(a) The data is provided by NASDAQ, Inc and is obtained through an analysis of beneficial ownership and fund manager information. This is provided in response to disclosure of ownership notices issued to all custodians on the Subsea 7 VPS share register. While every reasonable effort has been made to verify the data, there may be fluctuations as a result of such events as stock lending or other non-institutional stock movements, and neither Subsea 7 nor NASDAQ, Inc can guarantee the accuracy of the analysis.

Going concern

The Consolidated Financial Statements have been prepared under the assumption of going concern. This assumption is based on the level of cash and cash equivalents at the year end, the banking and borrowing facilities in place, the forecast cash flows for the Group and the backlog position at 31 December 2021.

Risk management and internal control

The Group's approach to risk management and internal control is detailed in the Risk Management and Governance sections on pages 24 to 51. Financial risk management is as described in Note 33 'Financial instruments'.

Post balance sheet events

Regular dividend

The Board of Directors will recommend to the shareholders at the Annual General Meeting on 12 April 2022 that a regular dividend of NOK 1.00 per share be paid, equivalent to a total dividend of approximately $33 million, marking the Board's confidence in the financial position and outlook for the Group.

Repayment of borrowings

On 18 January 2022, the Group repaid in full the amount outstanding under the Seaway 7 ASA Revolving Credit Facility of $37.0 million.

MANAGEMENT REPORT FOR SUBSEA 7 S.A. (THE COMPANY)

Additional information specific to the Unconsolidated Financial Statements of Subsea 7 S.A.

Unconsolidated Financial Statements of Subsea 7 S.A.

The Unconsolidated Financial Statements of Subsea 7 S.A., the ultimate parent company of the Subsea 7 S.A. Group, are shown on page 145 to page 152. These were prepared in accordance with Luxembourg's legal and regulatory requirements and using the going concern basis of accounting described above. The profit for the year ended 31 December 2021 was $16 million (2020: loss of $0.3 million). The profit was mainly as a result of income related to parent company guarantees partly offset by operating expenses. It is proposed that the profit of $16 million for the year ended 31 December 2021 be allocated to profit and loss brought forward at 1 January 2022 resulting in a profit to be brought forward amounting to $125 million.

Own shares held

During 2021, the Company repurchased 2,724,172 shares for a total consideration of $21 million. At 31 December 2021 the Company directly held 4,534,107 (2020: 2,326,683) own shares at a carrying amount of $30 million (2020: $17 million).

Distributable amounts

At 31 December 2021, the Company had distributable amounts, as defined by Luxembourg law, totalling $859 million (2020: $925 million). Distributable amounts include share premium account, profit and loss account brought forward and profit or loss for the year. The year-on-year reduction was mainly related to special dividends paid of $70 million.

Risk management, internal control and corporate governance

The Company's approach to risk management, internal control and corporate governance is consistent with that applied to affiliates in the Subsea 7 S.A. Group and is detailed in the Risk Management and Governance sections on pages 24 to 51. Financial risk management is described in Note 33 'Financial instruments'. Non-financial information required by regulation is provided on pages 1 to 51.

By order of the Board of Directors of Subsea 7 S.A.

Kristian Siem
Chairman

John Evans
Chief Executive Officer

SUBSEA 7 S.A. CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2021

	Page
Report of the Réviseur d'Entreprises Agréé	62
Consolidated Income Statement	68
Consolidated Statement of Comprehensive Income	69
Consolidated Balance Sheet	70
Consolidated Statement of Changes in Equity	71
Consolidated Cash Flow Statement	73

Notes to the Consolidated Financial Statements

	Page
1. General information	74
2. Adoption of new accounting standards	75
3. Significant accounting policies	75
4. Critical accounting judgements and key sources of estimation uncertainty	85
5. Segment information	87
6. Net operating income	90
7. Other gains and losses	91
8. Finance income and finance costs	92
9. Taxation	92
10. Dividends	95
11. Earnings per share	95
12. Business combinations	95
13. Goodwill	98
14. Intangible assets	100
15. Property, plant and equipment	101
16. Right-of-use assets	102
17. Interests in associates and joint arrangements	103
18. Advances and receivables	104
19. Inventories	104
20. Trade and other receivables	104
21. Other accrued income and prepaid expenses	104
22. Construction contracts	105
23. Cash and cash equivalents	106
24. Issued share capital	107
25. Treasury shares	107
26. Non-controlling interests	108
27. Borrowings	109
28. Lease liabilities	110
29. Other non-current liabilities	110
30. Trade and other liabilities	110
31. Provisions	111
32. Commitments and contingent liabilities	112
33. Financial instruments	113
34. Related party transactions	127
35. Share-based payments	129
36. Retirement benefit obligations	131
37. Deferred revenue	134
38. Cash flow from operating activities	135
39. Post balance sheet events	135
40. Wholly-owned subsidiaries	136

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

To the shareholders of Subsea 7 S.A.
412F, route d'Esch
L-2086 Luxembourg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the Consolidated Financial Statements of Subsea 7 S.A. and its subsidiaries (the "Group") included on page 68 to page 138, which comprise the Consolidated Balance Sheet at 31 December 2021, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, and the Consolidated Statement of Cash Flows for the year then ended, and the notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Consolidated Financial Statements give a true and fair view of the consolidated financial position of the Group at 31 December 2021, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU Regulation Nº 537/2014, the Law of 23 July 2016 and ISAs are further described in the "Responsibilities of the "réviseur d'entreprises agréé" for the audit of the Consolidated Financial Statements" section of our report. We are also independent of the Group in accordance with the Code of Ethics for Professional Accountants, including the International Independence Standards, issued by the International Ethics Standards Board for Accountants' ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the Consolidated Financial Statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of the audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter:</th><th>Recognition of revenues and income on long-term contracts</th></tr>
<tr><td>Description of key audit matter:</td><td>A significant proportion of the Group's revenues and income are derived from long-term contracts. As detailed in Note 3 'Significant accounting policies' to the Consolidated Financial Statements, these contracts include complex technical and commercial risks and often specify performance milestones to be achieved throughout the contract period, which can last several years.

Due to the contracting nature of the business, revenue recognition involves a significant degree of judgement, with estimates being made to:

• assess the total contract costs;
• assess the stage of completion of the contract;
• assess the proportion of revenues, including variation orders, to recognise in line with contract completion;
• forecast the profit margin on each contract incorporating appropriate allowances for technical and commercial risks related to performance milestones yet to be achieved; and
• appropriately identify, estimate and provide for onerous contracts.

There is a range of acceptable outcomes resulting from these judgements that could lead to different revenue or income being reported in the Consolidated Financial Statements.

The Group has detailed procedures and processes in place to manage the commercial, technical and financial aspects of long-term contracts. The processes include the preparation of a Project Monthly Status Report (PMSR), which includes key accounting and forecast information for the relevant contract.

The risk of material misstatement is that the accounting for the Group's significant contracts does not accurately reflect the progress made and consequently the contract revenue and margin at the reporting date.</td></tr>
<tr><td>Our response:</td><td>Our audit procedures over the recognition of revenues and income on long-term contracts included, among others, the following:

We evaluated and tested the relevant information technology systems and performed procedures over the operating effectiveness of internal controls over the accuracy and timing of long-term contract revenue and margin recognised in the Consolidated Financial Statements, including controls over:

• the detailed contract reviews (being the PMSR process and controls) performed by management and reviewed at the project and the Group level that included estimating total costs, stage of completion of contracts, profit margin and evaluating contract profitability; and
• the transactional controls that underpin the production of underlying contract related cost balances including the purchase-to-pay, vessel costs and payroll cycles.

For the most significant and judgemental contracts, we:

• obtained the PMSR and gained an understanding of the performance and status of the contracts;
• corroborated management's positions through the examination of externally generated evidence, such as customer correspondence;
• discussed and understood management's estimates for total contract costs and forecast costs-to-complete, including taking into account the historical accuracy of such estimates;
• discussed and understood management's estimates in recognising actual or potential variation orders, including taking into account the historical accuracy of such estimates;
• tested the reconciliation of cost models to the PMSR and to the accounting records;
• re-performed the percentage of completion calculation; and
• considered whether provisions for onerous contracts reflect the requirements of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

We read the relevant clauses within selected contracts and discussed each with management to obtain a full understanding of the specific terms and risks, which informed our consideration of whether revenue for these contracts was appropriately recognised.

We made enquiries to both Group internal and external legal counsel and considered the positions taken by management.

We assessed the adequacy of the disclosures in Note 3 'Significant accounting policies' and Note 5 'Segment information' to the Consolidated Financial Statements in relation to revenue.</td></tr>
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<tr><th>Key audit matter:</th><th>Reverse acquisition of OHT ASA and combination with the Subsea 7 Renewables business unit</th></tr>
<tr><td>Description of key audit matter:</td><td>As detailed in Note 12 'Business combinations' to the Consolidated Financial Statements, the Group completed a significant business combination in the year.

On 8 July 2021 the Group announced an agreement to combine its Renewables business unit with OHT ASA. The combination was accounted for as a reverse acquisition and the combined company has been renamed Seaway 7 ASA. It is listed on Oslo's Euronext Growth market and commenced trading on 1 October 2021.

The significant risk arises because of the level of management judgement required in assessing the fair value of net assets acquired and the impact of any adjustments to consideration in determining the level of goodwill arising on the acquisition. There is a particular focus on the identification and measurement of intangible assets on acquisition.

The risk of material misstatement is that the fair value of net assets acquired and the resultant goodwill could be misstated.</td></tr>
<tr><td>Our response:</td><td>Our audit procedures over the reverse acquisition of OHT ASA included, among others, the following:

We have obtained an understanding of the key controls and processes in place with regards to IFRS 3 'Business Combinations' accounting.

We read the sale and purchase agreement alongside management's accounting papers and considered whether the appropriate accounting treatment has been applied, including the considerations with regard to the identification of the accounting acquirer and the treatment of the transaction as a reverse acquisition.

We assessed management's conclusion on whether the transaction meets the definition of a business combination and in this context, inspected the assets and liabilities acquired, the allocation of the purchase consideration to these, and the resultant goodwill recognised by performing the following procedures:

• We examined the consideration transferred to assess whether it was determined and calculated in accordance with contractual arrangements;
• We assessed management's judgements in respect of what arrangements should be accounted for as part of the business combination and those that should be accounted for separately from the business combination;
• We considered the identification of the acquired assets and liabilities based on our understanding of the business of the acquired companies and the explanations and plans of management that supported these acquisitions;
• We assessed the recognition of intangible assets and made an evaluation of management's key assumptions in identifying intangible assets through enquiry and inspection of supporting evidence;
• We tested the fair values of the acquired assets and liabilities based on common valuation models; and
• We considered the consolidation adjustments in respect of accounting for these transactions.

We performed procedures to assess the adequacy of disclosures in Note 12 'Business combinations' to the Consolidated Financial Statements.</td></tr>
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Key audit matter:	Vessel fleet impairment assessments
Description of key audit matter:	The Subsea 7 vessel fleet comprises owned and leased vessels. At 31 December 2021, the carrying amount of the owned vessel fleet was $3.7 billion and the carrying amount of right-of-use assets related to leased vessels was $126.4 million as detailed in Note 15 'Property, plant and equipment' and Note 16 'Right-of-use assets' to the Consolidated Financial Statements. Vessels within property, plant and equipment and right-of-use assets related to leased vessels are subject to an impairment test where indicators of impairment exist. Impairment charges are recognised when necessary to bring the carrying amounts of specific assets to their recoverable amount defined as the higher of value-in-use or fair value less costs to dispose. The process for determining whether impairment indicators exist is complex and requires significant management judgement. The key factors are: • the forecast utilisation of the owned vessel fleet and the right-of-use assets related to leased vessels; • the determination of the value-in-use of the cash generating units in which the vessels are allocated; and • the external broker estimates of market valuation (for owned vessels only). The subsequent process for determining the amount of impairment which may result from the above indicators is also complex and requires significant management judgement and estimates. The risk of material misstatement is that the carrying amount of the owned vessel fleet within property, plant and equipment and the leased vessels within right-of-use assets could be overstated.
Our response:	Our audit procedures over the vessel fleet impairment assessments included, among others, the following: We evaluated management's assessment for indicators of impairment or for indicators of reversal of impairments related to owned vessels within property, plant and equipment and right-of-use assets related to leased vessels. We obtained an understanding of the internal financial controls for the owned vessel and right-of-use asset impairment process including the determination of assumptions used within the models to assess the recoverable amount. We obtained management's impairment assessment for the owned vessels and right-of-use assets related to vessel leases. For owned vessels and right-of-use assets relating to leased vessels where an impairment trigger was identified, we analysed the recoverable amount considering the value-in-use of the cash generating units in which the owned vessels and right-of-use assets relating to leased vessels are allocated. For owned vessels we reviewed the external broker valuations obtained by management for each vessel and assessed the independence, objectivity and competence of the broker as well as the adequacy of the respective assumptions and methods used, the reasonableness of the conclusions reached and their consistency with management's analysis. We assessed the completeness and the accuracy of the impairments identified by management to the accounting records. We evaluated the adequacy of the Group's disclosures in Note 15 'Property, plant and equipment' and Note 16 'Right-of-use assets' regarding the impairments of owned vessels and right-of-use assets related to leased vessels in the Consolidated Financial Statements.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report from pages 53 to 58 and the accompanying Corporate Governance Statement from pages 37 to 51 but does not include the Consolidated Financial Statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and of those charged with governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with IFRS as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors is also responsible for presenting and marking up the Consolidated Financial Statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format, as amended ("ESEF Regulation").

In preparing the Consolidated Financial Statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the Consolidated Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Assess whether the Consolidated Financial Statements have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as “réviseur d’entreprises agréé” by the General Meeting of the Shareholders on 14 April 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is seven years.

The Consolidated Management Report from pages 53 to 58 is consistent with the Consolidated Financial Statements and has been prepared in accordance with applicable legal requirements.

The accompanying Corporate Governance Statement on pages 37 to 51 is the responsibility of the Board of Directors. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the Consolidated Financial Statements and has been prepared in accordance with applicable legal requirements.

We have checked the compliance of the Consolidated Financial Statements of the Group as at 31 December 2021 with relevant statutory requirements set out in the ESEF Regulation that are applicable to the financial statements. For the Group, it relates to:

- Financial statements prepared in valid xHTML format;
- The XBRL markup of the Consolidated Financial Statements using the core taxonomy and the common rules on markups specified in the ESEF Regulation.

In our opinion, the Consolidated Financial Statements of the Group as at 31 December 2021, identified as 222100AIF0CBCY80AH62-2021-12-31, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Olivier Lemaire
Luxembourg, 2 March 2022

CONSOLIDATED INCOME STATEMENT

For the year ended (in $ millions, except per share data)	Notes	**2021 31 Dec**	2020 31 Dec
Revenue	5	**5,010.0**	3,466.4
Operating expenses	6	**(4,714.2)**	(3,652.9)
Gross profit/(loss)		**295.8**	(186.5)
Administrative expenses	6	**(228.0)**	(241.4)
Impairment of goodwill	13	**–**	(605.4)
Share of net income/(loss) of associates and joint ventures	17	**3.9**	(0.5)
Net operating income/(loss)		**71.7**	(1,033.8)
Finance income	8	**4.7**	4.8
Other gains and losses	7	**44.4**	(18.3)
Finance costs	8	**(20.1)**	(24.6)
Income/(loss) before taxes		**100.7**	(1,071.9)
Taxation	9	**(64.3)**	(33.3)
Net income/(loss)		**36.4**	(1,105.2)
Net income/(loss) attributable to:			
Shareholders of the parent company		**31.8**	(1,092.8)
Non-controlling interests	26	**4.6**	(12.4)
		36.4	(1,105.2)

Earnings per share	Notes	**$ per share**	$ per share
Basic	11	**0.11**	(3.67)
Diluted[(a)]	11	**0.11**	(3.67)

(a) For explanation and a reconciliation of earnings per share and diluted earnings per share please refer to Note 11 ‘Earnings per share’ to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended (in $ millions)	Notes	**2021 31 Dec**	2020 31 Dec
Net income/(loss)		**36.4**	(1,105.2)
Items that may be reclassified to the income statement in subsequent periods:			
Net foreign currency translation (losses)/gains		**(4.9)**	9.8
Commodity cash flow hedges		**12.8**	–
Tax relating to components of other comprehensive income	9	**(2.8)**	(0.6)
Items that will not be reclassified to the income statement in subsequent periods:			
Remeasurement gains on defined benefit pension schemes	36	**0.5**	0.3
Tax relating to remeasurement gains on defined benefit pension schemes	9	**(0.1)**	–
Fair value adjustment on other financial assets	33	**1.2**	(5.5)
Other comprehensive income		**6.7**	4.0
Total comprehensive income/(loss)		**43.1**	(1,101.2)
Total comprehensive income/(loss) attributable to:			
Shareholders of the parent company		**40.4**	(1,090.0)
Non-controlling interests		**2.7**	(11.2)
		43.1	(1,101.2)

CONSOLIDATED BALANCE SHEET

At (in $ millions)	Notes	**2021 31 Dec**	2020 31 Dec
Assets			
Non-current assets			
Goodwill	13	**160.5**	84.5
Intangible assets	14	**37.3**	46.0
Property, plant and equipment	15	**4,081.0**	3,982.6
Right-of-use assets	16	**206.4**	213.3
Interest in associates and joint ventures	17	**28.6**	29.5
Advances and receivables	18	**57.4**	23.0
Derivative financial instruments	33	**24.7**	22.9
Other financial assets	33	**1.3**	2.9
Construction contracts – assets	22	**4.4**	6.7
Retirement benefit assets	36	**–**	0.8
Deferred tax assets	9	**58.7**	49.5
		4,660.3	4,461.7
Current assets			
Inventories	19	**40.3**	26.4
Trade and other receivables	20	**655.9**	590.7
Derivative financial instruments	33	**35.8**	31.4
Construction contracts – assets	22	**788.2**	470.6
Other accrued income and prepaid expenses	21	**204.5**	197.6
Restricted cash		**5.7**	7.1
Cash and cash equivalents	23	**597.6**	511.6
		2,328.0	1,835.4
Total assets		**6,988.3**	6,297.1
Equity			
Issued share capital	24	**600.0**	600.0
Treasury shares	25	**(32.9)**	(17.8)
Paid in surplus		**2,503.9**	2,505.2
Translation reserve		**(582.5)**	(582.0)
Other reserves		**(14.2)**	(25.0)
Retained earnings		**1,709.5**	1,747.4
Equity attributable to shareholders of the parent company		**4,183.8**	4,227.8
Non-controlling interests	26	**305.4**	27.3
Total equity		**4,489.2**	4,255.1
Liabilities			
Non-current liabilities			
Borrowings	27	**360.3**	184.4
Lease liabilities	28	**142.9**	168.6
Retirement benefit obligations	36	**12.3**	14.3
Deferred tax liabilities	9	**46.0**	32.2
Provisions	31	**58.8**	49.5
Contingent liabilities recognised	32	**5.5**	6.0
Derivative financial instruments	33	**5.7**	21.1
Other non-current liabilities	29	**6.1**	14.7
		637.6	490.8
Current liabilities			
Trade and other liabilities	30	**1,352.5**	981.8
Derivative financial instruments	33	**23.7**	26.4
Current tax liabilities		**41.5**	32.6
Borrowings	27	**61.6**	24.6
Lease liabilities	28	**88.0**	85.4
Provisions	31	**87.6**	118.5
Construction contracts – liabilities	22	**205.7**	279.5
Deferred revenue	37	**0.9**	2.4
		1,861.5	1,551.2
Total liabilities		**2,499.1**	2,042.0
Total equity and liabilities		**6,988.3**	6,297.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

(in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2021	**600.0**	**(17.8)**	**2,505.2**	**(582.0)**	**(25.0)**	**1,747.4**	**4,227.8**	**27.3**	**4,255.1**
Comprehensive income									
Net income	–	–	–	–	–	31.8	31.8	4.6	36.4
Net foreign currency translation gains	–	–	–	(3.0)	–	–	(3.0)	(1.9)	(4.9)
Commodity cash flow hedges	–	–	–	–	12.8	–	12.8	–	12.8
Remeasurement losses on defined benefit pension schemes	–	–	–	–	0.5	–	0.5	–	0.5
Fair value adjustment on other financial assets	–	–	–	–	1.2	–	1.2	–	1.2
Tax relating to components of other comprehensive income	–	–	–	(0.4)	(2.5)	–	(2.9)	–	(2.9)
Total comprehensive income	**–**	**–**	**–**	**(3.4)**	**12.0**	**31.8**	**40.4**	**2.7**	**43.1**
Transactions with owners									
Shares repurchased	–	(21.0)	–	–	–	–	(21.0)	–	(21.0)
Dividends declared	–	–	–	–	–	(69.5)	(69.5)	–	(69.5)
Share-based payments	–	–	3.9	–	–	–	3.9	–	3.9
Vesting of share-based payments	–	–	(5.2)	–	–	5.2	–	–	–
Shares reallocated relating to share-based payments	–	5.9	–	–	–	(5.9)	–	–	–
Reclassification adjustment relating to business combination	–	–	–	2.9	–	–	2.9	(2.9)	–
Transfer on disposal of other financial assets	–	–	–	–	(1.2)	1.2	–	–	–
Addition of non-controlling interests	–	–	–	–	–	(0.7)	(0.7)	278.3	277.6
Total transactions with owners	**–**	**(15.1)**	**(1.3)**	**2.9**	**(1.2)**	**(69.7)**	**(84.4)**	**275.4**	**191.0**
Balance at 31 December 2021	**600.0**	**(32.9)**	**2,503.9**	**(582.5)**	**(14.2)**	**1,709.5**	**4,183.8**	**305.4**	**4,489.2**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

(in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2020	**600.0**	**(14.0)**	**2,507.5**	**(590.0)**	**(20.2)**	**2,845.4**	**5,328.7**	**34.3**	**5,363.0**
Comprehensive loss									
Net loss	–	–	–	–	–	(1,092.8)	(1,092.8)	(12.4)	(1,105.2)
Net foreign currency translation gains	–	–	–	8.6	–	–	8.6	1.2	9.8
Remeasurement losses on defined benefit pension schemes	–	–	–	–	0.3	–	0.3	–	0.3
Fair value adjustment on other financial assets	–	–	–	–	(5.5)	–	(5.5)	–	(5.5)
Tax relating to components of other comprehensive income	–	–	–	(0.6)	–	–	(0.6)	–	(0.6)
Total comprehensive income/(loss)	**–**	**–**	**–**	**8.0**	**(5.2)**	**(1,092.8)**	**(1,090.0)**	**(11.2)**	**(1,101.2)**
Transactions with owners									
Shares repurchased	–	(9.8)	–	–	–	–	(9.8)	–	(9.8)
Dividends declared	–	–	–	–	–	–	–	(1.1)	(1.1)
Share-based payments	–	–	4.2	–	–	–	4.2	–	4.2
Vesting of share-based payments	–	–	(6.5)	–	–	6.5	–	–	–
Shares reallocated relating to share-based payments	–	6.0	–	–	–	(6.0)	–	–	–
Reclassification of deferred tax on defined benefit pension schemes	–	–	–	–	0.4	(0.4)	–	–	–
Reclassification adjustment relating to non-controlling interests	–	–	–	–	–	(5.3)	(5.3)	5.3	–
Total transactions with owners	**–**	**(3.8)**	**(2.3)**	**–**	**0.4**	**(5.2)**	**(10.9)**	**4.2**	**(6.7)**
Balance at 31 December 2020	**600.0**	**(17.8)**	**2,505.2**	**(582.0)**	**(25.0)**	**1,747.4**	**4,227.8**	**27.3**	**4,255.1**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended (in $ millions)	Notes	**2021 31 Dec**	2020 31 Dec
Net cash generated from operating activities	38	**293.0**	446.8
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**6.6**	1.7
Purchases of property, plant and equipment		**(157.7)**	(157.3)
Purchases of intangible assets		**(8.8)**	(25.3)
Net proceeds from recognition of assets related to business combinations – post measurement period		**–**	16.6
Loan to joint venture		**(33.0)**	–
Repayment of loan to joint venture		**1.8**	–
Repayment of advances from joint ventures		**(3.0)**	–
Investments in associates and joint ventures	17	**–**	(0.6)
Interest received	8	**4.7**	4.8
Acquisition of businesses (net of cash acquired)		**4.5**	–
Payment of contingent consideration in respect of acquisitions	33	**–**	(1.3)
Proceeds from sale of other financial assets		**2.8**	–
Investment in other financial assets		**(1.6)**	(3.2)
Net cash used in investing activities		**(183.7)**	(164.6)
Cash flows from financing activities			
Interest paid		**(12.1)**	(9.4)
Repayments of borrowings		**(24.6)**	(24.6)
Proceeds from borrowings		**200.0**	–
Cost of share repurchases	25	**(21.0)**	(9.8)
Payments related to lease liabilities	28	**(93.1)**	(103.6)
Dividends paid to shareholders of the parent company	10	**(72.0)**	–
Dividends paid to non-controlling interests		**–**	(10.2)
Net cash used in financing activities	33	**(22.8)**	(157.6)
Net increase in cash and cash equivalents		**86.5**	124.6
Cash and cash equivalents at beginning of year	23	**511.6**	397.7
Decrease/(increase) in restricted cash		**1.4**	(2.8)
Effect of foreign exchange rate movements on cash and cash equivalents		**(1.9)**	(7.9)
Cash and cash equivalents at end of year	23	**597.6**	511.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Subsea 7 S.A. is a company registered in Luxembourg whose common shares trade on the Oslo Børs and as American Depositary Receipts (ADRs) over-the-counter in the US. The address of the registered office is 412F, route d'Esch, L-2086 Luxembourg.

Subsea 7 is a global leader in the delivery of offshore projects and services for the evolving energy industry. The 'Group' consists of Subsea 7 S.A. and its subsidiaries at 31 December 2021.

The Group provides products and services required for subsea field development, including project management, design and engineering, procurement, fabrication, survey, installation, and commissioning of production facilities on the seabed and the tie-back of these facilities to fixed or floating platforms or to the shore. The Group offers a full spectrum of products and capabilities including remotely operated vehicles and tooling services to support exploration and production activities and to deliver full life of field services to its clients. Through its Renewables business unit, the Group offers expertise in the fixed offshore wind market, including the procurement and installation of offshore wind turbine foundations and inner-array cables as well as heavy lifting operations for renewables structures and heavy transportation services. The Group's interest in Nautilus Floating Solutions enhances its presence in the floating foundations market, supporting research and development initiatives and technology prototypes. The Group provides engineering and advisory services to clients in the oil and gas, renewables and utilities industries through its wholly-owned autonomous subsidiaries Xodus and 4Subsea.

Authorisation of Consolidated Financial Statements

Under Luxembourg law, the Consolidated Financial Statements are approved by the shareholders at the Annual General Meeting. The Consolidated Financial Statements were authorised for issue by the Board of Directors on 2 March 2022.

Presentation of Consolidated Financial Statements

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU). The Consolidated Financial Statements comply with Article 4 of the EU IAS Regulation.

Amounts in the Consolidated Financial Statements are stated in US Dollars ($), the currency of the primary economic environment in which the Group operates. Group entities whose functional currency is not the US Dollar are consolidated in accordance with the policies set out in Note 3 'Significant accounting policies'.

The Consolidated Financial Statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments and balances required to be measured at fair value. The principal accounting policies adopted are consistent with the Consolidated Financial Statements for the year ended 31 December 2020, except where noted in Note 2 'Adoption of new accounting standards'.

Going concern

The Consolidated Financial Statements have been prepared on the going concern basis.

The global economy remains impacted by the unprecedented health and economic crisis following the outbreak of the Covid-19 pandemic. Management continues to monitor the potential operational, market and financial impacts to the Group including the mitigating impacts of the vaccination roll-out. Despite the remaining uncertainty regarding the potential impacts of the Covid-19 pandemic, management considers that there are no significant doubts over the application of the going concern assumption and no disclosable material uncertainties which cast doubt upon the Group's ability to continue as a going concern.

During 2021, the Group incurred net Covid-19 costs of approximately $27.0 million (2020: $70.0 million) related to factors such as vessel standby days due to onboard outbreaks of the virus, additional vessel crew change-over times and costs, and additional operational costs as a result of supply chain and travel restrictions. These were partly offset by reduced travel costs incurred by onshore employees and some cost compensation by certain clients. Management expects that net Covid-19 costs will continue to be incurred in 2022. Management will continue to work with its clients and suppliers to mitigate the impacts of the pandemic on operations.

The Group retained a strong cash position with cash and cash equivalents of $597.6 million at 31 December 2021. Total borrowings at 31 December 2021 were $421.9 million, in relation to the Group's South Korean Export Credit Agency facility, drawdowns on the loan facility from UK Export Finance and the revolving credit facility acquired in relation to the OHT ASA business combination. The Group's $656 million multi-currency revolving credit and guarantee facility remained unutilised. The Group ended the year with backlog of $7.2 billion, an increase of $1.0 billion compared to 31 December 2020, demonstrating improving, near to medium-term activity levels. Forecasts continue to demonstrate that the Group will generate cash flows more than sufficient to support the assumption that the Group will continue as a going concern. Management has performed stress tests of future cash flow forecasts to evaluate the impact of plausible downside scenarios. These include scenarios which reflect extended periods of low energy prices and potential operational and Covid-19 related issues which could adversely impact the Group. Management has also performed reverse stress testing through modelling of reasonable worst-case scenarios. In all scenarios management identified no forecast breaches of banking covenants and demonstrated sufficient liquidity for the Group.

As a Group, operational risks and resultant financial exposures arising due to the Covid-19 pandemic are described below. Management will continue to monitor these risks during 2022.

Onerous contract provisions
Onerous contract provisions were assessed in light of the requirements of IFRS 15 'Revenue from Contracts with Customers' and IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. Certain inefficiencies were identified as a direct consequence of additional costs incurred, and expected to be incurred, as a result of the Covid-19 pandemic. Management concluded that these costs did not contribute to the overall progression of contracts and were recognised as incurred. Costs of this nature will continue to be monitored by management during 2022.

Credit impairment and expected credit losses
During 2021, no material credit impairments were recognised as a result of the Covid-19 pandemic and the associated impacts on the global economy. The Group's expected credit loss allowances, calculated in accordance with IFRS 9 'Financial Instruments', were reviewed and individual assessments were undertaken where appropriate. Although this calculation utilises market-based credit analytics incorporating market and financial information which enables forward-looking analysis of the probability of default, the Group does not consider the actual risk of credit impairment to be materially higher than before the pandemic. The Group does not have a significant exposure to any single counterparty and this is expected to continue to be the case during 2022.

Asset impairment, including goodwill and right-of-use assets
The Group's annual impairment review was performed during the fourth quarter of 2021, no significant impairments were recognised in relation to goodwill, intangible assets, property, plant and equipment and right-of-use assets.

2. ADOPTION OF NEW ACCOUNTING STANDARDS
Effective new accounting standards
No new International Financial Reporting Standards (IFRS) were adopted by the Group for the financial year beginning 1 January 2021. Several amendments to IFRS were applied for the first time in 2021 but did not have an impact on the Consolidated Financial Statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES
Basis of consolidation
The Consolidated Financial Statements incorporate the financial statements of Subsea 7 S.A. (the Company) and entities controlled by the Company (its subsidiaries). Control is assumed to exist where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. If the Group loses control over a subsidiary it derecognises related assets, liabilities and non-controlling interests and other components of equity, while any resultant gain or loss is recognised in income or loss. Any investment retained is recognised at fair value.

The Group consolidates non-wholly-owned subsidiaries where it can be considered to exercise control over the entity. In some cases this may result in the consolidation of non-wholly-owned subsidiaries in which the Group holds less than 50% of the voting rights when there is no history of the other shareholders exercising their votes to outvote the Group.

Subsidiaries
Assets, liabilities, income and expenses of a subsidiary are included in the Consolidated Financial Statements from the date the Group obtains control over the subsidiary until the date the Group ceases to control the subsidiary. Changes in the Group's interest in a subsidiary that do not result in the Group ceasing to control that subsidiary are accounted for as equity transactions.

Where necessary, adjustments are made to the financial statements of subsidiaries to align these with the accounting policies of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Note 40 'Wholly-owned subsidiaries' includes information related to wholly-owned subsidiaries which are included in the Consolidated Financial Statements of the Group.

All subsidiaries are wholly-owned (100%) except those listed in Note 26 'Non-controlling interests'. Non-controlling interests comprise equity interests in subsidiaries which are not attributable, directly or indirectly, to the Company. Non-controlling interests in the net assets or liabilities of subsidiaries are identified separately from the equity attributable to shareholders of the parent company. Non-controlling interests consist of the amount of those interests at the date that the Group obtains control over the subsidiary together with the non-controlling shareholders' share of net income or loss and other comprehensive income or loss since that date.

Interests in associates and joint arrangements
An associate is an entity over which the Group has significant influence, but not control, and which is neither a subsidiary nor a joint venture. Significant influence is defined as the right to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint arrangement is an arrangement in which two or more parties have joint control. A joint arrangement is classified as either a joint venture or a joint operation depending upon the rights and obligations of the parties to the arrangement.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Interests in associates and joint ventures are accounted for using the equity method. Under this method, the investment is recognised in the Consolidated Balance Sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate or joint venture, less any provisions for impairment. The Consolidated Income Statement reflects the Group's share of net income or loss of the associate or joint venture. Losses in excess of the Group's interest (which includes any long-term interests that, in substance, form part of the Group's net investment) are only recognised to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Where there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share in the Consolidated Statement of Comprehensive Income.

Interests in joint operations are accounted for in line with the Group's proportional interest in the joint operations. As a joint operator the Group recognises its interest in: assets (including its share of any assets held jointly); liabilities (including its share of any liabilities incurred jointly); revenue from the sale of its share of output by the joint operation; and expenses (including its share of any expenses incurred jointly).

Foreign currency translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Functional currency is defined as the currency of the primary economic environment in which the entity operates. While this is usually the local currency, the US Dollar is designated as the functional currency of certain entities where transactions and cash flows are predominantly in US Dollars.

All transactions in non-functional currencies are initially translated into the functional currency of each entity at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in non-functional currencies are translated to the functional currency at the exchange rate prevailing at the balance sheet date.

All resulting exchange rate gains and losses are recognised in the Consolidated Income Statement. Non-monetary items which are measured at historical cost in a non-functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the initial transactions. Non-monetary items which are measured at fair value in a non-functional currency are translated to the functional currency using the exchange rate prevailing at the date when the fair value was determined.

Foreign exchange revaluations of short-term intra-group balances denominated in non-functional currencies are recognised in the Consolidated Income Statement. Revaluations of long-term intra-group loans are recognised in the translation reserve in equity.

The assets and liabilities of operations which have a non-US Dollar functional currency are translated into the Group's reporting currency, US Dollar, at the exchange rate prevailing at the balance sheet date. The exchange rate differences arising on the translation are recognised in the translation reserve in equity. Income and expenditure items are translated at the weighted average exchange rates for the year. On disposal of an entity with a non-US Dollar functional currency the cumulative translation adjustment previously recognised in the translation reserve in equity is reclassified to the Consolidated Income Statement. At 31 December 2021, the exchange rates of the main currencies used throughout the Group, compared to the US Dollar, were as follows:

GBP	0.749
EUR	0.883
NOK	8.879
BRL	5.660
CNY	6.370

Revenue from contracts with customers

The Group applies the IFRS 15 'Revenue from Contracts with Customers' five-step model whereby revenue is recognised at an amount which reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer.

The Group's revenue comprises revenue recognised from contracts with customers for the provision of long-term fixed-price contracts, services under charter agreements, day-rate contracts, reimbursable contracts, cost-plus contracts (and similar contracts), each of which are considered to comprise one performance obligation. The following is a description of the principal activities, by operating segment, from which the Group generates revenue as disclosed in the disaggregated revenue analysis (Note 5 'Segment information').

Subsea and Conventional

Subsea and Conventional work, which includes Engineering, Procurement, Installation and Commissioning (EPIC) contracts, is generally contracted on a fixed-price basis. The costs and margins realised on such contracts vary dependent on a number of factors which may result in reduced margins or, in some cases, losses. The promised goods and services within each contract are considered to be distinct as a bundle under IFRS 15. Due to the significant integration, customisation and highly interrelated nature of the work performed they form one performance obligation with revenue being recognised over time. During a contract, work is performed for the sole benefit of the client who continually monitors progress. Clients may also participate in the supplier selection processes for procured items. During the offshore phase of a contract, the Group typically executes work related to the installation of the client's assets. Due to the nature of the work performed the Group would not have an alternative use for the works performed under a contract for a specific client. The transaction price for these types of contracts, where there is an element of variable consideration, which includes variation orders, claims, bonuses and liquidated damages, is based upon the single most likely outcome.

Any additional work, such as scope changes or variation orders, as well as other variable consideration, will be included within the total price once the amounts can be reasonably estimated and management has concluded that it is highly probable that recognition will not result in a significant revenue reversal in a future period.

For EPIC contracts, revenue is recognised in each period based upon the advancement of the work-in-progress. The input method used to progressively recognise revenue over time is based upon percentage-of-completion whereby total costs incurred to date are compared with total forecast costs at completion of the contract. This method provides a faithful depiction of the transfer of goods and services to the customer. Any significant upfront procurement which is not customised for the specific contract is not included within the actual cost of work performed until such time as the costs incurred are proportionate to the progress in satisfying the performance obligation. Similarly an adjustment to the measurement of progress may be required where significant inefficiencies occur. Typically payment is due from the customer between 30 to 60 days following the issuance of the invoice, although this may be longer depending upon the client or customary payment terms in certain geographies. The contracts have no significant financing component as the period between when the Group transfers promised goods or services to a customer and when the customer pays for those goods or services will be one year or less. In circumstances where the Group has recognised revenue, but not issued an invoice, the entitlement to consideration is recognised as a construction contract asset. The construction contract asset is transferred to trade and other receivables in accordance with the agreed milestone schedule which reflects the unconditional entitlement to payment. The time elapsing before transfer to trade and other receivables may be different between contracts depending upon the contractual terms and conditions. Construction contract liabilities arise when progress billings to date exceed contract revenues recognised. Assurance type warranty periods commence at the completion of the contractual obligations and typically have a duration of between one to three years. Construction contract asset and liability balances at 31 December 2021 and 2020 are disclosed within Note 22 'Construction contracts'.

The Group's Pipelay Support Vessel (PLSV) contracts, offshore Brazil, are also included within this category of revenue. PLSV revenue is based upon an agreed schedule of work applied to a range of daily operating activities pre-agreed with the customer. As such these contracts are considered to be distinct as a pattern and hence one performance obligation under the guidelines within IFRS 15. Each day is distinct with the overall promise being the delivery of a series of days which have the same pattern of transfer to the customer. The transaction price for all PLSV contracts is determined by the expected value approach being the number of days multiplied by the expected day-rate. This method of revenue recognition for PLSV contracts provides a faithful depiction of the transfer of goods and services. Typically the value of work completed in any one month corresponds directly with the Group's right to payment. Payment is due from the client approximately 60 days following invoice date. These contracts have no significant financing component. Unbilled revenue related to work completed, which has not been billed to the customer, is included within Note 21 'Other accrued income and prepaid expenses'.

Front-end engineering studies (FEED) undertaken by the Group are also included within this category of revenue principally on a day-rate basis. Revenue recognition for day-rate contracts is described in the paragraph below.

The Group provides Remotely Operated Vehicles (ROVs), survey and inspection, drill-rig support and related solutions on a day-rate basis. Projects are contracted on the basis of an agreed schedule of rates applied to a range of daily operating activities. These contracts are considered to be distinct as a pattern and hence one performance obligation under the guidelines within IFRS 15. Each day is distinct with the overall promise being the delivery of a series of days that have the same pattern of transfer to the customer. The transaction price for all day-rate contracts is determined by the expected value approach, being the number of days multiplied by the expected day-rate. This method of revenue recognition for day-rate contracts provides a faithful depiction of the transfer of goods and services. Typically the value of work completed in any one month corresponds directly with Subsea 7's right to payment. Payment is due from the client approximately 30-45 days following the invoice date. These contracts have no significant financing component. Unbilled revenue related to work completed, which has not been billed to clients, is included within Note 21 'Other accrued income and prepaid expenses'.

Customers, in certain circumstances, may request the commissioning of bespoke tooling. Revenue in relation to bespoke tooling, which is not significant in relation to the Group's overall revenue, is considered distinct in its own right. Dependent on the individual contract with the customer, revenue from the sale of this bespoke tooling may be recognised over time or at a point in time when control of the asset is transferred to the customer, generally on delivery.

Renewables

Renewables contracts which include the construction and installation of fixed offshore wind turbine foundations and inner-array cables, heavy lifting operations, decommissioning and heavy transportation are generally contracted on a fixed-price basis. Similar to EPIC contracts, the promised goods and services within Renewables contracts are considered to be distinct as a bundle and hence one performance obligation with revenue being recognised over time. Although the promises within the contract are capable of being distinct, management has concluded that they are not due to the significant integration, customisation and highly interrelated nature of each contract. The contract work performed is for the sole benefit of the customer who continually monitors progress and the Group would not have an alternative use for work performed under a specific contract. Clients may also participate in the supplier selection processes for procured items. The transaction price for these types of contracts, where there is an element of variable consideration, is based upon the single most likely outcome.

Any additional work, such as scope changes or variation orders, as well as other variable consideration will be included within the total price once the amounts can be reasonably estimated and management has concluded that this will not result in a significant revenue reversal in a future period.

For Renewables contracts the input method used to progressively recognise revenue over time is based upon percentage-of-completion whereby total costs incurred to date are compared with total forecast costs at completion of the contract. This method provides a faithful depiction of the transfer of the goods and services to the customer. Any significant upfront procurement which is not customised for the particular contract is not included within the actual cost of work performed at each period end. An adjustment to the measure of progress may be required where significant inefficiencies occur which were not reflected in the price of the contract. Payment is due from the client approximately 30-45 days following the issuance of the invoice, although this may be longer depending upon the client or customary payment terms in certain geographies. These contracts have no significant financing component as the period between when the Group

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

transfers the promised goods or services to the customer and when the customer pays for those goods or services will be one year or less. In circumstances where the Group has recognised revenue, but not issued an invoice, the entitlement to consideration is recognised as a construction contract asset. The construction contract asset is transferred to trade and other receivables in accordance with the agreed milestone schedule which reflects the unconditional entitlement to payment. The time elapsing before transfer to trade and other receivables may be different between contracts depending upon the contractual terms and conditions. Construction contract liabilities arise when progress billings exceed contract revenues. Assurance type warranty periods commence at the completion of the contractual obligations. Construction contract asset and liability balances at 31 December 2021 and 2020 are disclosed within Note 22 ‘Construction contracts’.

The Group operates a fleet of vessels which provide heavy transportation services mainly related to the offshore energy sector, with a focus on the fixed offshore wind market. Under these contracts the Group’s vessels transport a specific agreed-upon cargo for a single voyage. The Group treats these as voyage charter contracts, and applies the input method to progressively recognise revenue over time based upon percentage-of-completion whereby total costs incurred to date are compared with total forecast costs at completion of the contract. This method provides a faithful depiction of the transfer of the goods and services to the customer. The Group generally has standard payment terms of approximately 10% freight paid on signing of contract, 40% on loading and 50% on discharge. These contracts have no significant financing component as the period between when the Group transfers the promised goods or services to the customer and when the customer pays for those goods or services will be one year or less. Voyage charter contracts consist of a single performance obligation of transporting cargo within a specified period. The voyage charters generally have variable consideration in the form of demurrage, which is recognised over the period in which the performance obligations are met under the contract. Demurrage is estimated at contract inception using either the expected value or most likely amount approaches. Such estimate is reviewed and updated over the term of the voyage charter contract.

Corporate

Revenue within the Group’s Corporate segment, which is not material to the Group, relates to activities in its autonomous subsidiaries, Xodus and 4Subsea, and its non-wholly-owned subsidiary, Nautilus Floating Solutions. Contracts with customers in these subsidiaries are contracted on either a fixed-price or day-rate basis. Revenue related to these contracts is recognised using the method described previously for similar contracts within the Subsea and Conventional business unit. Payment is due from the client approximately 30-60 days following the issuance of the invoice. These contracts have no significant financing component as the period between when the Group transfers the promised goods or services to the customer and when the customer pays for those goods or services will be one year or less. Construction contract asset and liability balances related to fixed-price contracts at 31 December 2021 and 2020 are disclosed within Note 22 ‘Construction contracts’. Unbilled revenue related work completed on day-rate contracts, which has not been billed to clients, is included within Note 21 ‘Other accrued income and prepaid expenses’.

Advances received from customers

For certain contracts the Group may receive short-term advances from customers which are presented as deferred revenue within the Consolidated Balance Sheet. Advances received from customers include amounts received before the work is performed on day-rate and fixed-price contracts. The consideration is not adjusted for the effects of a financing component where the Group expects, at contract inception, that the period between when the customer pays for the service and when the Group transfers that promised service to the customer will be 12 months or less.

Principal versus agent

For certain projects the Group provides procurement services and assumes responsibility for the logistics and handling of procured items. Management’s assessment of whether a principal or agent relationship exists is based upon whether the Group has the ability to control the goods before they are transferred to the customer. This assessment is performed on a contract-by-contract basis at contract inception.

Variable consideration

Variable consideration is constrained at contract inception to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Warranty obligations

The Group provides warranties for the repair of defects which are identified during the contract and within a defined period thereafter. All are assurance-type warranties, as defined within IFRS 15, which the Group recognises under IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’. The Group does not have any contractual obligations for service-type warranties.

Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. These amounts are calculated using the effective interest rate related to the period of the expenditure. All other borrowing costs are recognised in the Consolidated Income Statement in the period in which they are incurred.

Finance costs

Finance costs or charges, including premiums on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest rate method.

Retirement benefit costs

The Group administers several defined contribution pension plans. Obligations in respect of such plans are charged to the Consolidated Income Statement as they fall due.

In addition, the Group administers a small number of defined benefit pension plans. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method.

Remeasurements, comprising actuarial gains and losses and the return on plan assets (excluding net interest) are recognised immediately through the Consolidated Statement of Comprehensive Income in the period in which they occur with a corresponding adjustment in the Consolidated Balance Sheet. Remeasurements are not reclassified to the Consolidated Income Statement in subsequent periods. Past service costs are recognised in the Consolidated Income Statement on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises portions of the service cost (comprising current and past service costs) gains and losses on curtailments, non-routine settlements and net interest expense or income in the net defined benefit obligation under both operating expenses and administrative expenses in the Consolidated Income Statement. The Group is also committed to providing lump-sum retirement bonuses to employees upon retirement in certain countries. These retirement bonuses are unfunded, and are recorded in the Consolidated Balance Sheet at their actuarial valuation.

A defined benefit pension plan is considered settled once all future legal or constructive obligations for part or all of the benefits provided are eliminated. Upon settlement the defined benefit asset/liability is remeasured using the current fair value of the plan assets and current actuarial assumptions. Any difference between the current defined benefit asset/liability and the fair value will be recognised as a gain or loss and released from other reserves to retained earnings.

Taxation

Taxation expense or income recorded in the Consolidated Income Statement or Consolidated Statement of Other Comprehensive Income represents the sum of the current tax and deferred tax charge or credit for the year.

Current tax

Current tax is based on the taxable income for the year, together with any adjustments to tax payable in respect of prior years. Taxable income differs from income before taxes as reported in the Consolidated Income Statement because it excludes items of income or expense that are taxable or deductible in other periods and further excludes items that are never taxable or deductible. The tax laws and rates used to compute the amount of current tax payable are those that are enacted or substantively enacted at the balance sheet date.

Current tax assets or liabilities are representative of taxes being owed by, or owing to, local tax authorities. In determining current tax assets or liabilities the Group takes into account the impact of uncertain tax treatments and whether additional taxes or penalties may be due.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Consolidated Balance Sheet and the corresponding tax bases used in the computation of taxable income, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. Such assets or liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets or liabilities in a transaction (other than in a business combination) that does not affect either the taxable income or the accounting income before taxes.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax assets are only recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. Deferred tax assets are derecognised or reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are substantively enacted and expected to apply in the period when the asset is realised or the liability is settled. Deferred tax is charged or credited to the Consolidated Income Statement, except when it relates to items charged or credited directly in the Consolidated Statement of Comprehensive Income in which case the deferred tax is also recognised within the Consolidated Statement of Comprehensive Income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current income tax assets and liabilities on a net basis.

Uncertain tax treatments

In accordance with IFRIC 23 a provision for an uncertain tax treatment is made where the ultimate outcome of a particular tax matter is uncertain. In calculating a provision the Group assesses the probability of the liability arising and, where a reasonable estimate can be made, recognises a provision for the liability it considers probable to be required to settle the present obligation. Provisions are based on experience of similar transactions, internal estimates and appropriate external advice.

Dry-dock, mobilisation and decommissioning expenditure

Dry-dock expenditure incurred to maintain a vessel's classification is capitalised in the Consolidated Balance Sheet as a distinct component of the asset and amortised over the period until the next scheduled dry-docking (usually between two-and-a-half years and five years). At the date of the next dry-docking, the previous dry-dock asset and accumulated amortisation is derecognised. All other repair and maintenance costs are recognised in the Consolidated Income Statement as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

A provision is recognised for decommissioning expenditures required to restore a leased vessel to its original or agreed condition, together with a corresponding amount capitalised, when the Group recognises it has a present obligation and a reliable estimate can be made of the amount of the obligation.

Business combinations and goodwill

Business combinations

Acquisitions of subsidiaries and businesses, including business combinations completed in stages, are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values (at the acquisition date) of cash and other assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Where an acquisition qualifies as a business combination completed in stages, consideration includes the fair value of the Group's equity interest prior to the combination. Any gain or loss associated with the remeasurement of the equity interest to fair value is recognised as a remeasurement gain or loss in the Consolidated Income Statement. Acquisition-related costs are recognised in the Consolidated Income Statement as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are recognised as an adjustment to the cost of the acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant IFRS. Changes in the fair value of contingent consideration classified as equity are not recognised. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at fair value on the acquisition date, except that:

- deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 'Income Taxes';
- liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 19 'Employee Benefits';
- lease liabilities for which the Group is lessee are measured as if the lease contract were a new lease in accordance with IFRS 16 'Leases';
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 'Share-based Payments'; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete, to the extent that the amounts can be reliably calculated. These provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained regarding facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information regarding facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired by the Group (the acquisition date). Goodwill is measured as the sum of the consideration and either the amount of any non-controlling interests in the acquiree or the fair value of the Group's previously held equity interest in the entity less the net fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date. If the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration and either the amount of any non-controlling interests in the acquiree or the fair value of the Group's previously held equity interest in the acquiree, the excess is recognised immediately in the Consolidated Income Statement. Goodwill is reviewed for impairment at least annually.

Intangible assets other than goodwill

Overview

Intangible assets acquired separately are measured at cost at the date of initial acquisition. Following initial recognition, intangible assets are measured at cost less amortisation and impairment charges. Intangible assets acquired as part of a business combination are measured at fair value at the date of acquisition. Following initial recognition, intangible assets acquired as part of a business combination are measured at acquisition date fair value less amortisation and impairment charges.

Internally generated intangible assets are not capitalised, with the exception of development expenditure which meets the criteria for capitalisation specified in IAS 38 'Intangible Assets'.

Intangible assets with finite lives are amortised over their useful economic life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for intangible assets with finite useful lives are reviewed annually. Changes in the expected useful life are accounted for by changing the amortisation period or method, and are treated as changes in accounting estimates. The amortisation expense related to intangible assets with finite lives is recognised in the Consolidated Income Statement in the expense category consistent with the function of the intangible asset.

Property, plant and equipment

Property, plant and equipment acquired separately, including critical spare parts acquired and held for future use, are measured at cost less accumulated depreciation and accumulated impairment charges.

Assets under construction are recognised at cost, less any recognised impairment charges. Depreciation of these assets commences when the assets become operational and are deemed available for use.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

Vessels	10 to 25 years
Operating equipment	3 to 10 years
Buildings	20 to 25 years
Other assets	3 to 7 years

Land is not depreciated.

Vessels are depreciated to their estimated residual value. Residual values, useful economic lives and methods of depreciation are reviewed at least annually and adjusted if appropriate.

Gains or losses arising on disposal of property, plant and equipment are determined as the difference between any disposal proceeds and the carrying amount of the asset at the date of the transaction. Gains and losses on disposal are recognised in the Consolidated Income Statement in the period in which the asset is disposed.

Impairment of non-financial assets

At each reporting date the Group assesses whether there is any indication that non-financial assets, including intangible assets, property, plant and equipment and right-of-use assets, may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's fair value less costs of disposal and its value-in-use. Where an asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset is allocated. Where the carrying amount of an asset exceeds its recoverable amount, the asset is impaired. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used. Management has considered the potential impacts of climate risk and whether this will have an adverse impact on the future use of the Group's assets, including vessels and equipment. The Group operates within the offshore renewable sector and it is expected that demand for the Group's services will increase due to climate related opportunities. Management does not consider there is a significant risk that the Group's vessels will become obsolete due to climate considerations as they form a key part in the transition to the provision of sustainable energy.

Impairment charges are recognised in the Consolidated Income Statement in the expense category consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment charges may require to be reversed. If such an indication exists the Group makes an estimate of the recoverable amount. A previously recognised impairment charge is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment charge was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment charge been recognised for the asset in prior periods. Any such reversal is recognised in the Consolidated Income Statement. The following criteria are also applied in assessing impairment of specific assets:

Goodwill

An assessment is made at each reporting date as to whether there is an indication of impairment. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or group of CGUs, that are expected to benefit from the combination.

Each CGU or group of CGUs to which the goodwill is allocated initially represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than an operating segment determined in accordance with IFRS 8 'Operating Segments'. If circumstances give rise to a change in the composition of CGUs and a reallocation is justified, goodwill is reallocated based on relative value at the time of the change in composition. Following any reorganisation, the CGU cannot be larger than an operating segment determined in accordance with IFRS 8 'Operating Segments'. Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Recoverable amounts are determined based on value-in-use calculations using discounted pre-tax cash flow projections based on risk-adjusted financial forecasts approved by the Executive Management Team.

As cash flow projections are risk-adjusted for CGU specific risks, risk premiums are not applied to the discount rate which is applied to all CGUs. The discount rate applied to the cash flow projections is a pre-tax rate and reflects current market assessments of the time value of money, risks specific to the asset and a normalised capital structure for the industry. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment charge is recognised in the Consolidated Income Statement. Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that CGU is disposed, the goodwill associated with the operation disposed is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in this circumstance is measured based on the relative values of the operation disposed and the portion of the CGU retained.

Associates and joint ventures

At each reporting date the Group determines whether there is any objective evidence that the investment in an associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the estimated fair value of the associate or joint venture and its carrying amount. The resultant impairment charge is recognised in the Consolidated Income Statement.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Financial instruments

Classification and measurement

The Group's financial assets include cash and short-term deposits, trade and other receivables, construction contract assets, other receivables, derivative financial instruments and equity investments which are classified as other financial assets. The Group's financial liabilities include trade and other payables, contingent consideration, borrowings and derivative financial instruments.

Initial measurement is based upon one of four IFRS 9 'Financial Instruments' models: amortised cost; fair value through profit and loss (FVPL); fair value through other comprehensive income (with recycling of accumulated gains and losses); or fair value through other comprehensive income (without recycling of accumulated gains and losses).

Classification and subsequent measurement is dependent upon the business model under which the Group holds and manages the financial asset; and whether the contractual cash flows resulting from the instrument represent 'solely payments of principal and interest' (the 'SPPI criterion').

All financial assets are classified at initial recognition and are initially measured at fair value net of transaction costs, with the exception of those classified as FVPL. Classification as amortised cost is applicable where the instruments are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows and the cash flows resulting from the instrument consist solely of principal and interest. Debt financial assets are subsequently measured at FVPL, amortised cost or fair value through other comprehensive income (FVOCI) depending on classification.

Equity instruments are reported as other financial assets and are subsequently measured at FVPL when not considered to be strategic in nature. Where the Group considers other financial assets to be strategic in nature and is expecting to hold them for the foreseeable future the investments are measured at FVOCI with no recycling of gains or losses to profit or loss on derecognition.

All financial liabilities are classified at initial recognition and are initially measured at fair value net of transaction costs, with the exception of those classified as FVPL. Financial liabilities are measured at FVPL when they meet the definition of held for trading or when they are designated as such on initial recognition. Otherwise, financial liabilities are measured at amortised cost.

The Group enters into forward foreign currency contracts, in order to manage its foreign currency exposures; these are measured at FVPL. The Group regularly enters into multi-currency contracts from which the cash flows may lead to embedded foreign exchange derivatives in non-financial host contracts, carried at FVPL. The Group reassesses the existence of an embedded derivative if the terms of the host financial instrument change significantly. The fair values of derivative financial instruments are measured on bid prices for assets held and offer prices for issued liabilities based on values quoted in active markets. Changes in the fair value of derivative financial instruments which do not qualify for hedge accounting are recognised in the Consolidated Income Statement within other gains and losses.

Cash and cash equivalents comprise cash at bank, cash on hand, money market funds, and short-term highly liquid assets with an original maturity of three months or less and which are readily convertible to known amounts of cash. Utilised revolving credit facilities are included within current borrowings. Cash and cash equivalents are measured at amortised cost.

Hedge accounting

The Group, for the purposes of hedge accounting, recognises cash flow hedges when hedging the exposure to variability in cash flows which are attributable to commodity prices. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements, including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined. A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The effective portion of the gain or loss on the hedging instrument is recognised in Other Comprehensive Income (OCI), in other reserves, while any ineffective portion is recognised immediately in the Consolidated Income Statement. Other reserves is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. The Group uses forward commodity contracts to manage its exposure to volatility in commodity prices. The ineffective portion relating to commodity contracts is recognised in other operating expenses. The Group designates only the spot element of forward contracts as a hedging instrument. The amount accumulated in OCI is reclassified to the Consolidated Income Statement as a reclassification adjustment in the same period or periods as the hedged cash flows.

Impairment of financial assets and construction contract assets

The Group applies the expected credit loss (ECL) impairment model to record allowances for expected credit losses. The expected credit loss model applies to all debt financial assets accounted for in accordance with IFRS 9 'Financial Instruments'. The expected credit loss impairment model is also applied to contract assets accounted for under IFRS 15 'Revenue from Contracts with Customers'.

For construction contract assets and trade and other receivables which do not contain a significant financing component, the Group applies the simplified approach. This approach requires the allowance for ECLs to be recognised at an amount equal to lifetime expected credit losses.

For other debt financial assets the allowance for ECLs is calculated on a 12-month basis and is based on the portion of ECLs expected to result from default events possible within 12 months of the reporting date. The Group monitors for significant changes in credit risk and

where this is materially different to ECLs calculated on a 12-month basis changes the allowance to reflect the risk of expected default in the contractual lifetime of the financial asset. Unless there is a valid mitigating factor, the Group considers there to have been a significant increase in credit risk when contractual payments are more than 30 days past the due date for payment.

At each reporting date the Group assesses whether any indicators exist that a financial asset or group of financial assets has become credit impaired. Where an asset is considered to be credit impaired a specific allowance is recognised based on the actual cash flows that the Group expects to receive and is determined using historical credit loss experience and forward-looking factors specific to the counterparty and the economic environment. Any shortfall is discounted at the original effective interest rate for the relevant asset.

Except where there are valid mitigating factors, the Group considers a financial asset in default when contractual payments are 90 days past the due date for payment. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

Financial investments

The Group's non-current financial investments comprise strategic shareholdings in technology companies. These investments are held at cost, deemed an appropriate estimate of fair value, due to the uncertainty over technical milestones and the wide range of possible fair value measurements. These investments are reviewed for indicators of impairment at each reporting date.

Inventories

Inventories comprise consumables, materials and non-critical spares and are valued at the lower of cost and net realisable value.

Treasury shares

Treasury shares are the Group's own equity instruments which are repurchased and shown within equity at cost, using the first-in first-out basis. Gains or losses realised or incurred on the purchase, sale, reallocation or cancellation of the Group's own equity instruments are recognised within equity. No gains or losses are recognised in the Consolidated Income Statement.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past transaction or event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised represents the best estimate of the expenditure expected to be required to settle the present obligation. Estimates are determined by the judgement of management supplemented by the experience of similar transactions, and, in some cases, advice from independent experts. Contingent liabilities are disclosed in Note 32 'Commitments and contingent liabilities' to the Consolidated Financial Statements, but not recognised until they meet the criteria for recognition as a provision. Where the Group is virtually certain that some or all of a provision will be reimbursed, that reimbursement is recognised as a separate asset. The expense relating to any provision is reflected in the Consolidated Income Statement at an amount reflective of the risks specific to the liability. Where the provision is discounted, any increase in the provision due to the passage of time is recognised as a finance cost in the Group's Consolidated Income Statement.

The following criteria are applied for the recognition and measurement of significant classes of provisions:

Onerous contracts

The Group recognises provisions for onerous contracts once the underlying event or conditions leading to the contract becoming onerous are probable and a reliable estimate can be made. Onerous fixed-price contract provisions are assessed in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. Onerous provisions are calculated on a least net cost basis, which includes unavoidable costs only, while comparing these costs to the cost of cancelling a contract and incurring early termination fees.

Legal claims

In the ordinary course of business, the Group is subject to various claims, litigation and complaints. An associated provision is recognised if it is probable that a liability has been incurred and the amount can be reliably estimated.

Contingent consideration

The Group recognises a provision where, as part of the sale and purchase agreement, contingent consideration has been agreed. The amount and timing of contingent consideration is often uncertain and is payable based on the achievement of specific targets and milestones. The liability is initially measured at its acquisition date fair value, determined using the discounted cash flows method and unobservable inputs and is remeasured at each reporting date. Changes in fair value are recognised in the Consolidated Income Statement.

Share-based payments

Certain employees of the Group receive part of their remuneration in the form of conditional awards of shares based on the performance of the Group. Equity-settled transactions with employees are measured at fair value at the date on which they are granted. The fair value is determined using a Monte Carlo simulation model. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become entitled to the award (the vesting date). The cumulative expense recognised for equity-settled transactions at each balance sheet date, until the vesting date, reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The cumulative expense also includes the estimated future charge to be borne by the Group in respect of social security contributions, based on the intrinsic unrealised value of the awards using the share price at the balance sheet date. The net income or expense for a period represents the difference in cumulative expense recognised at the beginning and end of that period.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Where an equity-settled award is forfeited, due to vesting conditions being unable to be met, the cumulative expense previously recognised is reversed with a credit recognised in the Consolidated Income Statement. If a new award is substituted for the cancelled award, the new award is measured at fair value at the date on which it is granted.

Earnings per share

Earnings per share is calculated using the weighted average number of common shares and common share equivalents outstanding during each period excluding treasury shares. The potentially dilutive effect of outstanding performance shares is reflected as share dilution in the computation of diluted earnings per share.

Right-of-use assets and lease liabilities

The Group applies IFRS 16 ‘Leases’ and assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease, which is the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets which vary as follows:

Vessels	2 to 5 years
Operating equipment	2 to 5 years
Land and buildings	3 to 10 years

The cost of a right-of-use asset includes an estimate of costs expected to be incurred by the Group on termination of the lease to reinstate the underlying asset to the condition required by the terms and conditions of the lease. The Group incurs the obligation for those costs either at the commencement date or as a consequence of having utilised the underlying asset during the period. Right-of-use assets are subject to a review for indicators of impairment at least annually.

Lease liabilities

The Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of purchase options reasonably certain to be exercised by the Group. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses an incremental borrowing rate at the lease commencement date where the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

The Group applies the short-term lease recognition exemption to its short-term leases, which are those leases which have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Group also applies the low-value assets recognition exemption to assets which are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses in the Consolidated Income Statement on a straight-line basis over the lease term.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in Note 3 'Significant accounting policies', management is required to make judgements, estimates and assumptions regarding the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other assumptions that management believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively in the period in which the estimate is revised.

Revenue recognition

The Group's accounting policies under IFRS 15 'Revenue from Contracts with Customers' are detailed in Note 3 'Significant accounting policies'.

Revenue recognition on long-term construction contracts

The Group accounts for long-term construction contracts for both engineering, procurement, installation and commissioning (EPIC) projects using the percentage-of-completion method, which is standard practice in the industry. Contract revenue, total cost estimates and estimates of physical progression are reviewed by management on a monthly basis. Any adjustments made as a result of these reviews are reflected in contract revenue or contract costs in the reporting period, based on the percentage-of-completion method.

To the extent that these adjustments result in a reduction or elimination of previously reported contract revenue or costs, a charge or credit is recognised in the Consolidated Income Statement; amounts in prior periods are not restated. Such a charge or credit may be significant depending on the size of the project, the stage of project completion and the size of the adjustment. Additional information that enhances and refines the estimating process is often obtained after the balance sheet date but before the issuance of the Consolidated Financial Statements, which may result in an adjustment to the Consolidated Financial Statements based on events, favourable or unfavourable, occurring after the balance sheet date.

The percentage-of-completion method requires management to make reliable estimates of physical progression, costs incurred, full project contract costs and full project contract revenue. The Group's Project Monthly Status Reports (PMSRs) evaluate the likely outcome of each individual project for the purpose of making reliable estimates of cost, revenue and progression, measured either by cost or physical progression. A key element of the PMSRs is the estimate of contingency. Contingency is an estimate of the costs required to address the potential future outcome of identified project risks. The Group uses a systematic approach in estimating contingency based on project size. This approach utilises a project specific risk register in order to identify and assess the likelihood and impact of these risks. The most significant risks and uncertainties in the Group's projects typically relate to the offshore phase of operations. Identified risks that materialise may result in increased costs. Contingency associated with identified risks are removed from the full project cost estimate throughout the remaining life of the project if the identified risks have not, or are not, expected to materialise.

Revenue recognition on variable consideration

A significant portion of the Group's revenue is billed under fixed-price contracts. Due to the nature of the services performed, variation orders and claims are common. A variation order is an instruction by the client for a change in the scope of the work to be performed under the contract which may lead to an increase or a decrease in contract revenue based on changes in the specifications or design of an asset and changes in the duration of the contract.

A claim is an amount that may be collected as reimbursement for costs not included in the contract price. A claim may arise from delays caused by clients, errors in specifications or design, and disputed variations in contract work. The measurement of revenue arising from claims is subject to a high level of uncertainty and is dependent on the outcome of negotiations.

Recognition of revenue on variation orders and claims is governed by the Group's revenue recognition policy.

Goodwill carrying amount

Goodwill is reviewed at least annually to assess whether there is objective evidence to indicate that the carrying amount of goodwill requires impairment at a CGU level. The impairment review is performed on a value-in-use basis which requires the estimation of future cash flows. Further details relating to the impairment review process are disclosed in Note 13 'Goodwill'.

Property, plant and equipment

Property, plant and equipment is recorded at cost and depreciation is recorded on a straight-line basis over the useful lives of the assets. Management uses its experience to estimate the remaining useful economic life and residual value of an asset.

A review for indicators of impairment is performed at each reporting date. When events or changes in circumstances indicate that the carrying amount of property, plant and equipment may not be recoverable, a review for impairment is carried out by management. Where the value-in-use method is used to determine the recoverable amount of an asset, management uses its judgement in determining the CGU to which the asset belongs, or whether the asset can be considered a CGU in its own right. The level of aggregation of assets is a significant assumption made by management and includes consideration of which assets generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Management has determined that vessels are not CGUs individually as they do not generate cash inflows independently of other Group assets. Once the CGU has been determined management uses its judgement in determining the value-in-use of the CGU, as detailed in Note 13 'Goodwill'. Where an asset is considered a CGU in its own right management uses its judgement to estimate future asset utilisation, cash flows, remaining life and the discount rate used.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

Recognition of provisions and disclosure of contingent liabilities

In the ordinary course of business, the Group becomes involved in contract disputes from time-to-time due to the nature of its activities as a contracting business involved in multiple long-term projects at any given time. The Group recognises provisions to cover the expected risk of loss to the extent that negative outcomes are likely and reliable estimates can be made. The final outcomes of these contract disputes are subject to uncertainties as to whether or not they develop into a formal legal action and therefore the resulting liabilities may exceed the liability anticipated by management.

Furthermore, the Group may be involved in legal proceedings from time-to-time; these proceedings are incidental to the ordinary conduct of its business. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. It is reasonably possible that the final resolution of any litigation could require the Group to incur additional expenditures in excess of provisions that it may have previously recognised.

Management uses its judgement in determining whether the Group should recognise a provision or disclose a contingent liability. These judgements include whether the Group has a present obligation and the probability that an outflow of economic resource is required to settle the obligation. Management may also use its judgement to determine the amount of the obligation or contingent liability. Management uses external advisers to assist with some of these judgements. Further details relating to provisions and contingent liabilities are shown in Note 31 ‘Provisions’ and Note 32 ‘Commitments and contingent liabilities’.

Measurement of fair value adjustments in business combinations

Management uses judgement to determine the fair value adjustments to identifiable assets acquired and liabilities assumed in a business combination. Where available, independent market value assessments are obtained for vessels to provide an estimate of fair value.

Fair value adjustments to part-built assets requires significant judgement, including an assessment of the forecast full costs at completion of the assets. Independent market value assessments are generally not readily available. Management applies judgement in order to determine the fair value of part-completed assets taking into consideration the underlying strategic rationale for the business combination and the additional opportunities the acquisition of the vessels will bring to the Group.

Measurement of onerous fixed-price contract provisions in business combinations

The Group recognises provisions for onerous fixed-price contracts where the required fair value exercise indicates that the costs of completing a project acquired in a business combination exceed the economic benefit. Judgement is applied to determine the underlying events or conditions leading to the contract becoming onerous to ensure that the facts and circumstances existed at the date of the business combination. Onerous fixed-price contract provisions are assessed in accordance with IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’. Fixed-price onerous provisions are calculated on a least net cost basis, which includes unavoidable costs only, while comparing these costs to the cost of cancelling a contract and incurring early termination fees.

Taxation

The Group is subject to taxation in numerous jurisdictions and significant judgement is required in calculating the consolidated tax position. There are transactions for which the ultimate tax determination is uncertain and for which the Group makes provisions based on an assessment of internal estimates and appropriate external advice, including decisions regarding whether to recognise deferred tax assets in respect of tax losses. Each year management completes a detailed review of uncertain tax treatments across the Group and makes provisions based on the probability of the liability arising. Where the final outcome of these matters differs from the amounts that were initially recorded, the difference will impact the taxation charge in the period in which the outcome is determined. Details of key judgements and other issues considered are set out in Note 9 ‘Taxation’.

5. SEGMENT INFORMATION

With effect from 1 January 2021, for management and reporting purposes, the Group implemented a new organisational structure comprising three business units: Subsea and Conventional, Renewables and Corporate. These business units represent the Group's operating segments and are defined as follows:

Subsea and Conventional

The Subsea and Conventional business unit includes:

- Subsea Umbilicals, Risers and Flowlines (SURF) activities related to the engineering, procurement, installation and commissioning of highly complex subsea oil and gas systems in deep waters, including the long-term contracts for PLSVs in Brazil;
- Conventional services including the fabrication, installation, extension and refurbishment of fixed and floating platforms and associated pipelines in shallow water environments;
- Activities associated with the provision of inspection, repair and maintenance (IRM) services, integrity management of subsea infrastructure and remote intervention support; and
- Activities associated with heavy lifting operations and decommissioning of redundant offshore structures.

This segment includes costs, including depreciation, amortisation and impairment charges, related to owned and long-term leased vessels, equipment and offshore personnel deployed in Subsea and Conventional activities.

The Subsea and Conventional business unit provides vessel and crewing services to the Group's Renewables business unit, which includes the Group's non-wholly-owned subsidiary Seaway 7 ASA; these are recharged on an arm's length basis.

Renewables

The Renewables business unit comprises activities primarily related to the delivery of fixed offshore wind farm projects. Following the business combination with OHT ASA (renamed Seaway 7 ASA) on 1 October 2021, the Group's fixed offshore wind farm activities are executed by Seaway 7 ASA, a non-wholly-owned subsidiary of the Group from that date. Activities include the procurement and installation of offshore wind turbine foundations and inner-array cables as well as heavy lifting operations and heavy transportation services for renewables structures. This segment includes costs, including depreciation, amortisation and impairment charges, related to owned and long-term leased vessels, equipment and offshore personnel deployed in Renewables activities.

Corporate

The Corporate business unit includes group-wide activities, and associated costs, including captive insurance activities, operational support, corporate services and costs associated with discrete events such as restructuring. The Corporate business unit also includes the results of the Group's autonomous subsidiaries, Xodus and 4Subsea, and the Group's floating wind farm activities including its non-wholly-owned subsidiary Nautilus Floating Solutions. A significant portion of the Corporate business unit's costs were allocated to the Subsea and Conventional business unit (for full year 2021) and the Renewables business unit (until 30 September 2021) based on a percentage of their respective external revenue. From 1 October 2021 the Corporate business unit provided specific services to the Renewables business unit, which includes the Group's non-wholly-owned subsidiary Seaway 7 ASA, on an arm's length basis.

The accounting policies of the business units are the same as the Group's accounting policies, which are described in Note 3 'Significant accounting policies'.

Allocations of costs also occur between segments based on the physical location of personnel. The Chief Operating Decision Maker (CODM) is the Chief Executive Officer of the Group. The CODM is assisted by the other members of the Executive Management Team. Neither total assets nor total liabilities by operating segment are regularly provided to the CODM and consequently no such disclosure is shown.

Summarised financial information, including the disaggregation of the Group's revenue from contracts with customers, concerning each operating segment is as follows:

5. SEGMENT INFORMATION CONTINUED

For the year ended 31 December 2021

(in $ millions)	**Subsea and Conventional**	**Renewables**	**Corporate**	**Total**
Selected financial information:				
Revenue[(a)/(b)/(c)]				
Fixed-price projects	**3,015.2**	**1,259.3**	**9.5**	**4,284.0**
Day-rate projects	**659.4**	**0.2**	**66.4**	**726.0**
	3,674.6	**1,259.5**	**75.9**	**5,010.0**
Operating expenses	**(3,453.4)**	**(1,290.6)**	**29.8**	**(4,714.2)**
Share of net income of associates and joint ventures	**1.0**	**–**	**2.9**	**3.9**
Depreciation, mobilisation and amortisation charges	**(364.1)**	**(63.3)**	**(16.4)**	**(443.8)**
Net impairment of intangible assets, property, plant and equipment, and right-of-use assets	**(1.2)**	**–**	**(4.2)**	**(5.4)**
Reconciliation of net operating income/(loss) to income before taxes:				
Net operating income/(loss)	**102.7**	**(59.5)**	**28.5**	**71.7**
Finance income				**4.7**
Other gains and losses				**44.4**
Finance costs				**(20.1)**
Income before taxes				**100.7**
Adjusted EBITDA[(d)]	***468.0***	***3.8***	***49.1***	***520.9***
Adjusted EBITDA margin[(d)]	***12.7%***	***0.3%***	***64.7%***	***10.4%***

(a) Revenue represents only external revenue for each segment. An analysis of inter-segment revenue has not been included as this information is not provided to the CODM.
(b) Two clients in the year individually accounted for more than 10% of the Group's revenue. The revenue from these clients was as follows: Client A $793.6 million (2020: $335.5 million) and Client B $502.7 million (2020: $334.5 million).
(c) Revenue from contracts with customers recognised over time as defined by IFRS 15.
(d) Adjusted EBITDA and Adjusted EBITDA margin are non-IFRS measures. For explanations and reconciliations of Adjusted EBITDA and Adjusted EBITDA margin refer to Additional Information.

For the year ended 31 December 2020

(in $ millions)	Subsea and Conventional Re-presented[(a)]	Renewables Re-presented[(a)]	Corporate Re-presented[(a)]	Total
Selected financial information:				
Revenue[(b)/(c)]				
Fixed-price projects	2,122.6	630.3	8.3	2,761.2
Day-rate projects	643.2	1.1	60.9	705.2
	2,765.8	631.4	69.2	3,466.4
Operating expenses	(2,883.1)	(645.8)	(124.0)	(3,652.9)
Impairment of goodwill	(592.2)	–	(13.2)	(605.4)
Share of net income/(loss) of associates and joint ventures	5.2	–	(5.7)	(0.5)
Depreciation, mobilisation and amortisation charges	(378.2)	(51.3)	(12.9)	(442.4)
Impairment of intangible assets, property, plant and equipment, and right-of-use assets	(294.6)	–	(28.5)	(323.1)
Reconciliation of net operating loss to loss before taxes:				
Net operating loss excluding goodwill impairment charges	(245.8)	(39.7)	(142.9)	(428.4)
Net operating loss including goodwill impairment charges	(838.0)	(39.7)	(156.1)	(1,033.8)
Finance income				4.8
Other gains and losses				(18.3)
Finance costs				(24.6)
Loss before taxes				(1,071.9)
Adjusted EBITDA[(d)]	*427.0*	*11.6*	*(101.5)*	*337.1*
Adjusted EBITDA margin[(d)]	*15.4%*	*1.8%*	*n/a*	*9.7%*

(a) Re-presented due to new organisational structure implemented from 1 January 2021.
(b) Revenue represents only external revenue for each segment. An analysis of inter-segment revenue has not been included as this information is not provided to the CODM.
(c) Revenue from contracts with customers recognised over time as defined by IFRS 15.
(d) Adjusted EBITDA and Adjusted EBITDA margin are non-IFRS measures. For explanations and reconciliations of Adjusted EBITDA and Adjusted EBITDA margin refer to Additional Information.

Geographic information

Revenue from external clients

Based on the country of registered office of the Group's subsidiaries or branches, revenue is split as follows:

For the year ended (in $ millions)	**2021 31 Dec**	2020 31 Dec
United Kingdom	**1,682.8**	1,292.7
USA	**689.0**	520.3
Norway	**588.0**	490.2
Brazil	**400.4**	186.5
Saudi Arabia	**290.8**	101.6
Australia	**222.2**	133.5
Netherlands	**180.0**	166.4
Taiwan	**172.0**	126.7
Singapore	**165.3**	92.9
Mexico	**143.5**	52.4
Germany	**86.3**	30.6
Azerbaijan	**84.8**	66.4
Turkey	**74.6**	0.0
Trinidad & Tobago	**60.4**	6.8
Angola	**60.0**	58.0
Senegal	**53.5**	26.0
Qatar	**35.7**	15.6
Other countries[a]	**20.7**	99.8
	5,010.0	3,466.4

(a) Comparative information for the year ended 31 December 2020 includes external revenue of $70.7 million from the Group's subsidiaries or branches with a registered office in Ghana.

Non-current assets

Based on the country of registered office of the Group's subsidiaries or branches, non-current assets excluding goodwill, derivative financial instruments, retirement benefit assets and deferred tax assets are located in the following countries:

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
United Kingdom	**2,194.7**	2,375.5
Isle of Man	**749.8**	864.6
Norway	**687.2**	274.4
Netherlands	**498.7**	506.4
USA	**75.9**	55.2
Nigeria	**60.3**	65.8
Brazil	**36.7**	35.4
Azerbaijan	**30.8**	41.9
Angola	**23.9**	35.2
Other countries	**58.4**	49.6
	4,416.4	4,304.0

6. NET OPERATING INCOME

Net operating income/(loss) includes:

For the year ended (in $ millions)	2021 31 Dec	2020 31 Dec
Research and development costs	**11.7**	14.6
Employee benefits	**1,123.9**	933.6
Amortisation of intangible assets (Note 14)	**14.7**	14.7
Depreciation of property, plant and equipment (Note 15)	**341.1**	334.9
Amortisation of right-of-use assets (Note 16)	**78.5**	82.1
Amortisation of mobilisation costs	**9.5**	10.7
Lease expense for short-term leased assets	**520.7**	222.4
Lease expense for low-value leased assets	**0.6**	0.6
Variable lease payments not included within lease liabilities	**1.0**	2.6
Impairment of goodwill (Note 13)	**–**	605.4
Impairment of intangible assets (Note 14)	**4.8**	9.2
Impairment of property, plant and equipment (Note 15)	**4.1**	282.0
Impairment of right-of-use assets (Note 16)	**0.2**	31.9
Impairment reversal of right-of-use assets (Note 16)	**(3.7)**	–
Net (decrease)/increase in allowances for expected credit losses for financial assets	**(1.4)**	1.0
Net (decrease)/increase in allowances for expected credit losses on construction contract assets (Note 22)	**(0.6)**	2.7
Net credit impairment (credit)/loss for financial assets (Note 33)	**(15.7)**	13.2
Auditor's remuneration	**4.0**	2.7

The total fees chargeable to the Group by the principal auditing firm Ernst & Young S.A. and other member firms of Ernst & Young Global Limited were:

For the year ended (in $ millions)	2021 31 Dec	2020 31 Dec
Audit fees	**3.7**	2.6
Tax fees	**0.3**	0.1
	4.0	2.7

Audit fees constitute charges incurred for non-prohibited professional services rendered by the Group's principal auditor and member firms. Charges were incurred for the audit of the consolidated and statutory financial statements of Subsea 7 S.A. and certain subsidiaries. Fees were primarily incurred in connection with the year ended 31 December 2021 but include final settlement of charges associated with the year ended 31 December 2020.

Tax fees constitute charges incurred for non-prohibited professional services rendered by the Group's principal auditor and member firms relating to the provision of tax advice and tax compliance services for work undertaken during the year ended 31 December 2021. Fees were primarily incurred in connection with the year ended 31 December 2021.

The Group's Audit Committee policy requires pre-approval of audit and non-audit services prior to the appointment of the providers of professional services together with highlighting excluded services which the Group's principal auditor cannot provide. The Audit Committee delegates approval to the Chief Financial Officer based on predetermined limits. The Audit Committee pre-approved or, in cases where pre-approval was delegated, ratified all audit and non-audit services, provided by the Group's principal auditor, to Subsea 7 S.A. and its subsidiaries during the year ended 31 December 2021.

Reconciliation of operating expenses and administrative expenses by nature

For the year ended (in $ millions)	31 Dec 2021 Operating expenses	31 Dec 2021 Administrative expenses	31 Dec 2021 Total expenses	31 Dec 2020 Operating expenses	31 Dec 2020 Administrative expenses	31 Dec 2020 Total expenses
Direct project related costs, including procurement	**2,584.0**	**–**	**2,584.0**	1,611.4	–	1,611.4
Employee benefits[(a)]	**996.4**	**127.5**	**1,123.9**	811.8	121.8	933.6
Depreciation, amortisation and mobilisation	**409.5**	**34.3**	**443.8**	403.5	38.9	442.4
Lease expense for short-term leased assets	**520.0**	**0.7**	**520.7**	221.3	1.1	222.4
Lease expense for low-value leased assets	**0.6**	**–**	**0.6**	0.6	–	0.6
Variable lease expense not included within lease liabilities	**1.0**	**–**	**1.0**	2.6	–	2.6
Impairment of intangible assets	**4.8**	**–**	**4.8**	9.2	–	9.2
Impairment of property, plant and equipment	**4.1**	**–**	**4.1**	282.0	–	282.0
Impairment of right-of-use assets	**–**	**0.2**	**0.2**	14.2	17.7	31.9
Impairment reversal of right-of-use assets	**–**	**(3.7)**	**(3.7)**	–	–	–
Net (decrease)/increase in allowances for expected credit losses for financial assets	**(1.4)**	**–**	**(1.4)**	1.0	–	1.0
Net (decrease)/increase in allowances for expected credit losses for construction contract assets	**(0.6)**	**–**	**(0.6)**	2.7	–	2.7
Net credit impairment (credit)/loss for financial assets[(a)]	**(15.7)**	**–**	**(15.7)**	13.2	–	13.2
Other expenses	**211.5**	**69.0**	**280.5**	279.4	61.9	341.3
Total	**4,714.2**	**228.0**	**4,942.2**	3,652.9	241.4	3,894.3

(a) Total restructuring related provisions/credit impairments released during the year amounted to $37.2 million (2020: restructuring charges $85.5 million) with $18.9 million of the restructuring provision release (2020: charge $57.6 million) included in employee benefits. $18.3 million of restructuring related to credit impairments released (2020: $20.8 million charged) was included in net credit impairment (credit)/loss for financial assets.

7. OTHER GAINS AND LOSSES

For the year ended (in $ millions)	2021 31 Dec	2020 31 Dec
Gains/(Losses) on disposal of property, plant and equipment	**3.0**	(0.2)
Gain on maturity of lease liabilities	**0.2**	1.8
Fair value losses on derivative financial instruments mandatorily measured at fair value through profit or loss	**1.9**	(0.6)
Fair value losses on other financial assets measured at fair value through profit or loss	**(1.1)**	(3.0)
Net gain on disposal of subsidiaries	**–**	0.2
Net gains on business combinations post measurement periods	**3.3**	18.3
Net foreign currency exchange gains/(losses)	**37.1**	(34.8)
Total	**44.4**	(18.3)

Net foreign currency exchange gains/(losses) include fair value gains/(losses) on embedded derivatives.

8. FINANCE INCOME AND FINANCE COSTS

For the year ended (in $ millions)	**2021 31 Dec**	2020 31 Dec
Interest on financial assets measured at amortised cost	**4.7**	4.8
Total finance income	**4.7**	4.8

For the year ended (in $ millions)	**2021 31 Dec**	2020 31 Dec
Interest and fees on financial liabilities measured at amortised cost	**11.9**	8.9
Total borrowing costs	**11.9**	8.9
Less: amounts capitalised and included in the cost of qualifying assets	**(0.6)**	(4.6)
	11.3	4.3
Interest on lease liabilities	**6.7**	19.7
Interest on tax liabilities	**2.1**	0.6
Total finance costs	**20.1**	24.6

Borrowing costs included in the cost of qualifying assets during the year were calculated by applying to expenditure on such assets an average capitalisation rate of 4.3% dependent on the funding source (2020: 2.1%).

9. TAXATION

Tax recognised in the Consolidated Income Statement

For the year ended (in $ millions)	**2021 31 Dec**	2020 31 Dec
Tax charged/(credited) in the Consolidated Income Statement		
Current tax:		
Corporation tax on income for the year	**63.4**	48.5
Adjustments in respect of prior years	**1.1**	(0.2)
Total current tax	**64.5**	48.3
Deferred tax credit	**(0.2)**	(15.0)
Total	**64.3**	33.3

Tax recognised in the Consolidated Statement of Comprehensive Income

For the year ended (in $ millions)	**2021 31 Dec**	2020 31 Dec
Tax charge relating to items recognised directly in comprehensive income		
Current tax on:		
Exchange differences	**0.4**	0.6
Income tax recognised directly in comprehensive income	**0.4**	0.6
Deferred tax on:		
Commodity cash flow hedges	**2.4**	
Remeasurement gains on defined benefit pension schemes	**0.1**	–
Deferred tax recognised directly in comprehensive income	**2.5**	–
Total	**2.9**	0.6

Reconciliation of the total tax charge

Income taxes have been provided for in accordance with IAS 12 'Income Taxes', based on the tax laws and rates in the countries where the Group operates and generates taxable income.

The reconciliation below uses a tax rate of 24.94% (2020: 24.94%) which represents the blended tax rate applicable to Luxembourg entities.

For the year ended (in $ millions)	**2021 31 Dec**	2020 31 Dec
Income/(loss) before taxes	**100.7**	(1,071.9)
Tax at the blended tax rate of 24.94% (2020: 24.94%)	**25.1**	(267.3)
Effects of:		
Different tax rates of subsidiaries operating in other jurisdictions	**16.8**	18.3
Non-deductible impairments of goodwill	**–**	150.9
Impact of rate changes	**5.8**	–
Non-qualifying depreciation	**2.8**	8.8
Net (benefit)/cost of tonnage tax regimes	**(33.7)**	35.9
Withholding taxes and unrelieved overseas taxes	**24.5**	35.9
Non-deductible expenses and non-taxable income	**2.1**	2.7
Tax effect of share of net loss of associates and joint ventures	**(0.9)**	–
Movement in unprovided deferred tax	**27.1**	51.9
Revisions to uncertain tax treatments	**(0.7)**	(2.7)
Adjustments related to prior years	**(4.6)**	(1.1)
Taxation in the Consolidated Income Statement	**64.3**	33.3

Deferred tax

Movements in the net deferred tax balance were:

(in $ millions)	**2021**	2020
At year beginning	**17.3**	1.2
Charged to:		
Consolidated Income Statement	**0.2**	15.0
Other Comprehensive Income	**(2.5)**	–
Balance sheet reclassifications	**(0.3)**	(3.1)
Exchange differences	**(2.0)**	4.2
At year end	**12.7**	17.3

The deferred tax credit to the Consolidated Income Statement of $0.2 million comprised a credit of $6.0 million from the origination and reversal of temporary differences and a charge of $5.8 million in respect of the expected impact of the increase in the UK tax rate to 25%, effective 1 April 2023.

The main categories of deferred tax assets and liabilities recognised in the Consolidated Balance Sheet, before offset of balances within countries where permitted, were as follows:

At 31 December 2021

(in $ millions)	**Deferred tax asset**	**Deferred tax liability**	**Net recognised deferred tax asset/(liability)**
Property, plant and equipment	**–**	**(38.9)**	**(38.9)**
Accrued expenses	**13.6**	**–**	**13.6**
Share-based payments	**0.7**	**–**	**0.7**
Tax losses	**39.9**	**–**	**39.9**
Other	**–**	**(2.6)**	**(2.6)**
Total	**54.2**	**(41.5)**	**12.7**

9. TAXATION CONTINUED

At 31 December 2020

(in $ millions)	Deferred tax asset	Deferred tax liability	Net recognised deferred tax asset/(liability)
Intangible assets	–	(0.3)	(0.3)
Property, plant and equipment	–	(45.4)	(45.4)
Accrued expenses	9.6	(1.6)	8.0
Share-based payments	0.4	–	0.4
Tax losses	45.7	–	45.7
Other	8.9	–	8.9
Total	64.6	(47.3)	17.3

Deferred tax is analysed in the Consolidated Balance Sheet, after offset of balances within countries, as:

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Deferred tax assets	**58.7**	49.5
Deferred tax liabilities	**(46.0)**	(32.2)
Total	**12.7**	17.3

At 31 December 2021, the Group had tax losses of $2,572.6 million (2020: $2,667.2 million) available for offset against future taxable income. A deferred tax asset has been recognised, using the applicable tax rates, in respect of $143.5 million (2020: $182.0 million) of such losses. No deferred tax asset has been recognised in respect of the remaining $2,429.1 million (2020: $2,485.2 million) as it is not considered probable that there will be sufficient future taxable income available for offset in the foreseeable future. In addition, the Group has other unrecognised deferred tax assets of $44.9 million (2020: $45.2 million) in respect of other temporary differences.

No deferred tax has been recognised in respect of taxable temporary differences relating to the unremitted earnings of the Group's subsidiaries and branches where remittance is not contemplated and where the timing of distribution is within the control of the Group. The aggregate amount of unremitted earnings giving rise to such temporary differences for which deferred tax liabilities were not recognised at 31 December 2021 was $235.2 million (2020: $227.3 million).

Tonnage tax regime

The Group has elected to have qualifying vessel-related activities taxed under tonnage tax regimes in the UK, Norway and the Netherlands.

In 2021, net profits from qualifying activities resulted in a positive impact on the Group's tax charge of $33.7 million. In 2020, vessel impairments resulted in net losses on these activities, and a negative impact of $35.9 million.

Net operating losses

Net operating losses (NOLs) to carry forward in various countries will expire as follows:

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Within five years	**154.5**	240.6
5 to 10 years	**90.5**	195.9
11 to 20 years	**161.1**	161.1
Without time limit	**2,166.5**	2,069.6
Total	**2,572.6**	2,667.2

Included in the above were $1,422.0 million (2020: $1,476.9 million) of NOLs relating to Luxembourg, which could be subject to future claw-back if certain transactions were entered into.

Uncertain tax treatments

The Group's business operations are carried out worldwide and, as such, the Group is subject to the jurisdiction of a significant number of tax authorities at any point in time.

The Group routinely has to manage tax risks in respect of permanent establishments, transfer pricing and other international tax issues. In common with other multinational companies, the conflict between the Group's global operating model and the jurisdictional approach of tax authorities can lead to uncertainty on tax treatments.

This often results in the Group's filing positions being subject to audit, enquiry and possible re-assessment. During 2021, the Group was subject to audits and disputes in, among others, Australia, Brazil, Saudi Arabia, France, Nigeria, and Mexico. These audits are at various stages of completion. The Group's policy is to co-operate fully with the relevant tax authorities while seeking to defend its tax positions.

The Group provides for the amount of taxes that it considers probable of being payable as a result of such audits and for which a reasonable estimate can be made. Furthermore, for each reporting period management completes a detailed review of uncertain tax treatments across the Group, and makes provisions based on the probability of a liability arising. It is possible that the ultimate resolution of these uncertain treatments could result in tax charges that are materially higher or lower than the amounts provided for.

In the year ended 31 December 2021, the Group recorded a net decrease in its uncertain tax treatments of $6.1 million (2020: $4.5 million net decrease) as a result of revisions to estimated future obligations, and the closure and settlement of certain audits with the relevant tax authorities.

10. DIVIDENDS

A special dividend of NOK 2.00 per share was approved by the shareholders of Subsea 7 S.A. at the Annual General Meeting on 14 April 2021 and recognised in shareholders' equity in April 2021. The total special dividend of $72.0 million was paid on 7 May 2021 to shareholders of Subsea 7 S.A. During the year ended 31 December 2020 no dividends were approved or paid.

11. EARNINGS PER SHARE

Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the net income/(loss) attributable to shareholders of the parent company by the weighted average number of common shares in issue during the year, excluding shares repurchased by the Group and held as treasury shares (Note 25 'Treasury shares').

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potentially dilutive common shares. The Group's potentially dilutive common shares include those related to performance shares.

The net income/(loss) attributable to shareholders of the parent company and share data used in the basic and diluted earnings per share calculations were as follows:

For the year ended (in $ millions)	**2021 31 Dec**	2020 31 Dec
Net income/(loss) attributable to shareholders of the parent company	**31.8**	(1,092.8)
Earnings used in the calculation of diluted earnings per share	**31.8**	(1,092.8)

For the year ended	**2021 31 Dec Number of shares**	2020 31 Dec Number of shares
Weighted average number of common shares used in the calculation of basic earnings per share	**297,562,898**	297,651,231
Performance shares	**1,020,873**	–
Weighted average number of common shares used in the calculation of diluted earnings per share	**298,583,771**	297,651,231

For the year ended (in $ per share)	**2021 31 Dec**	2020 31 Dec
Basic earnings per share	**0.11**	(3.67)
Diluted earnings per share	**0.11**	(3.67)

During the year the following shares, that could potentially dilute the earnings per share, were excluded from the calculation of diluted earnings per share due to being anti-dilutive:

For the year ended	**2021 31 Dec Number of shares**	2020 31 Dec Number of shares
Performance shares	**807,361**	1,637,979

12. BUSINESS COMBINATIONS

During 2021, the Group entered into three transactions which qualified as business combinations as follows.

Agreement to combine the Group's fixed offshore wind business with OHT ASA

On 8 July 2021, the Group announced it had entered into an agreement to combine the Group's Renewables business unit (consisting of the Group's fixed offshore wind business) with OHT ASA (renamed Seaway 7 ASA); the transaction was completed on 1 October 2021. The business combination meets the criteria to be treated as a reverse acquisition with the deemed accounting acquirer being the Group's Renewable business unit. Effective 1 October 2021, the Group owns 72% of the combined entity and the shareholders of the former OHT ASA Group own 28% of the combined entity. The business combination resulted in the Group recognising goodwill of $70.0 million at the transaction date.

The former OHT ASA Group specialised in heavy transportation and installation, mainly related to the offshore renewables sector. It was a leading heavy transportation contractor and a new entrant in the offshore energy installation sector. The strategic rationale for the transaction was to strengthen Subsea 7's renewables business with the addition of two new-build vessels under construction, *Seaway Alfa Lift*, an offshore wind foundation installation vessel, and *Seaway Ventus*, an offshore wind turbine installation vessel.

Provisional fair values

The provisional fair values of the acquired identifiable assets and assumed liabilities at 1 October 2021 are shown below. This table includes fair value adjustments recognised in accordance with IFRS 3 'Business Combinations' which reflect conditions existing at the date of the transaction. A downward fair value adjustment of $32.3 million was applied to the acquired net assets of OHT ASA resulting from an onerous fixed-price contract provision existing at the date of the business combination. As a result of supplier delays, the final installation, testing and commissioning of the equipment for the upending and lowering of monopiles resulted in delays to the construction of *Seaway Alfa Lift.* The use of an alternative vessel has resulted in the recognition of an onerous fixed-price contract provision.

12. BUSINESS COMBINATIONS CONTINUED

Stamp duty and other expenses incurred in connection with the acquisition have been accounted for separately and recorded within administrative expenses in the Group's Consolidated Income Statement.

(in $ millions)	At 1 October 2021
Assets	
Property, plant and equipment	**291.7**
Right-of-use assets	**3.0**
Inventories	**4.6**
Trade and other receivables	**10.3**
Construction contracts – assets	**8.9**
Cash and cash equivalents	**12.1**
	330.6
Liabilities	
Trade and other liabilities	**3.6**
Derivative financial instruments	**1.0**
Borrowings	**37.0**
Lease liabilities	**3.3**
Construction contracts – liabilities	**46.3**
Provisions	**32.3**
	123.5
Identifiable net assets at fair value	**207.1**
Goodwill arising on acquisition	**70.0**
	277.1
Consideration comprised	
Non-controlling interest contributed by the Group as part of the business combination	**199.5**
Non-controlling interest of acquired entities at fair value	**77.6**
Total consideration	**277.1**

Goodwill

Management has recognised goodwill in accordance with the criteria within IFRS 3 'Business Combinations'. Aggregate goodwill of $70.0 million comprised the value of intangible assets which did not meet the criteria for separate recognition, including the assembled workforce and complementary service capabilities.

The following estimates and judgements were used by management to calculate goodwill:

Consideration

Consideration of $277.1 million, which represents the fair value of the total transaction, was calculated using a price per share for OHT ASA (renamed Seaway 7 ASA on 1 October 2021) agreed between both parties, which was representative of the share price on the date of the combination, multiplied by the number of shares outstanding immediately prior to the business combination, with adjustments for outstanding share warrants. The business combination was a non-cash share only transaction and the consideration at the date of completion reflected an increase of approximately $38.0 million in the market capitalisation of OHT ASA between 8 July 2021, the date of announcement of the business combination, and 1 October 2021, the date of completion.

Fair value of acquired assets and assumed liabilities

Property, plant and equipment:

- Heavy transportation vessels – OHT ASA operated a fleet of owned vessels which at the date of the business combination had an aggregate carrying amount of $122.6 million. Management obtained independent market value assessments for these vessels and as a result the fair value of the vessels was considered to be $129.2 million, which was within the range of the market value assessments.
- Assets under construction – *Seaway Alfa Lift* and *Seaway Ventus* (formerly named *Vind 1*) were part-completed new-build vessels at the date of the business combination with an aggregate carrying amount of $152.9 million. The fair valuation of part-build assets requires significant judgements, including an assessment of the forecast full costs at completion of the assets. Independent market value assessments were not readily available for these vessels. Management considers that a fair value for these assets of $161.3 million at the date of the business combination was appropriate. The $8.4 million uplift, compared to the historical carrying amounts, represents management's judgement of the additional fair value of these part-completed assets when considering the underlying strategic rationale for the business combination and the additional opportunities that the acquisition of these vessels will offer the Group.

Trade and other receivables

Trade and other receivables are shown at fair value and represent the gross contractual amounts receivable.

Provisions
Management recognised a downward fair value adjustment of $32.3 million resulting from an onerous fixed-price contract provision existing at the date of the business combination.

The full amount of goodwill was allocated to the Group's Renewables cash-generating unit and is not expected to be deductible for tax purposes. As described in Note 13 'Goodwill' management performed an impairment review of the carrying amount of goodwill. No impairment indicators were identified.

Financial performance
The financial performance, from the date of combination to 31 December 2021, was $32.2 million of revenue and $0.7 million of net income. If the combination had taken place at the beginning of the year, 2021 Group revenue and income before tax would have been $5,056.9 million and $93.9 million respectively.

Acquisition of Ocean Geo Solutions Inc.
On 29 July 2021, an indirect subsidiary of Subsea 7 S.A. acquired the entire share capital of Ocean Geo Solutions Inc. Cash consideration paid for the shares was $1.0 million with associated contingent consideration of $1.0 million. The transaction resulted in the recognition of a provisional amount of goodwill of $1.3 million.

Ocean Geo Solutions Inc. provides geotechnical and geophysical analysis to its client base across the energy industry in the United States. The strategic rationale for the transaction was to expand the Group's worldwide capability for this analysis across both the Subsea and Conventional and Renewables business units.

Acquisition of a 59.12% shareholding of Nautilus Floating Solutions, S.L.
On 22 September 2021, an indirect subsidiary of Subsea 7 S.A. acquired a 59.12% shareholding of Nautilus Floating Solutions, S.L. Cash consideration paid for the shares was $7.0 million. The transaction resulted in the recognition of a provisional amount of goodwill of $5.3 million and non-controlling interest of $1.2 million.

Nautilus Floating Solutions, S.L. is a technology development company researching the design and licence of floating foundations for the offshore wind market. The strategy rationale for the transaction was to enhance the Group's presence in the floating foundations offshore wind market, supporting research and development initiatives and technology prototypes.

Aggregate provisional fair values
The acquisitions of the Group's interests in Ocean Geo Solutions Inc. and Nautilus Floating Solutions, S.L. are not material to the Group. Management has presented aggregated provisional fair values of the acquired identifiable assets and liabilities. This table includes fair value adjustments recognised in accordance with IFRS 3 'Business Combinations' which reflect conditions existing at the date of the transaction. Stamp duty and other expenses incurred in connection with the acquisitions have been accounted for separately and recorded within administrative expenses in the Group's Consolidated Income Statement.

(in $ millions)	At acquisition date
Assets	
Intangible assets	**2.3**
Trade and other receivables	**1.4**
Cash and cash equivalents	**0.5**
	4.2
Liabilities	
Trade and other liabilities	**0.1**
Borrowings	**0.5**
	0.6
Identifiable net assets at fair value	**3.6**
Goodwill arising on acquisition	**6.6**
	10.2
Consideration comprised	
Cash consideration:	
Cash paid	**8.0**
Contingent consideration	**1.0**
Non-controlling interests	**1.2**
Total consideration	**10.2**

Goodwill
Aggregate goodwill of $6.6 million comprised the value of intangible assets which did not meet the criteria for separate recognition, including the assembled workforce and complementary service capabilities. Goodwill of $1.3 million was allocated to the Xodus cash-generating unit (CGU) and $5.3 million was allocated to the Nautilus CGU; neither amount is expected to be deductible for tax purposes.

12. BUSINESS COMBINATIONS CONTINUED

Contingent consideration

The sale and purchase agreement included contingent consideration. Additional cash payments to previous owners may be payable should specific targets be met in future periods. At the acquisition dates and at 31 December 2021 the fair value of contingent consideration was estimated to be $1.0 million. Fair value was determined using management assumptions based on forecast activity levels. A significant increase or decrease in forecast activity levels would result in a higher or lower fair value of the provision for contingent consideration. The range of potential outcomes is estimated to be between $nil and $1.0 million payable between 2022 and 2024.

Trade and other receivables

Trade and other receivables are shown at fair value and represent the gross contractual amounts receivable.

Financial performance

The aggregated financial performance of both acquisitions, from the individual applicable dates of each acquisition to 31 December 2021, was $0.5 million of revenue and $0.2 million of loss before tax. If the combinations had taken place at the beginning of the year, 2021 Group revenue and income before tax would have been $5,010.6 million and $100.5 million respectively.

13. GOODWILL

(in $ millions)	Total
Cost	
At 1 January 2020	2,395.5
Adjustment to identifiable net assets at fair value subsequent to initial recognition	0.1
Exchange differences	44.7
At 31 December 2020	2,440.3
Additions	76.6
Exchange differences	(7.8)
At 31 December 2021	**2,509.1**
Accumulated impairment	
At 1 January 2020	1,690.9
Impairment charges	605.4
Exchange differences	59.5
At 31 December 2020	2,355.8
Exchange differences	(7.2)
At 31 December 2021	**2,348.6**
Carrying amount	
At 31 December 2020	84.5
At 31 December 2021	**160.5**

On 8 July 2021, the Group announced it had entered into an agreement to combine the Group's Renewables business unit (consisting of the Group's fixed offshore wind business) with OHT ASA; the transaction was completed on 1 October 2021. The combination resulted in the recognition of goodwill of $70.0 million on Subsea 7's Consolidated Balance Sheet at the date of the transaction, allocated to the Renewables cash-generating unit (CGU).

On 29 July 2021, an indirect subsidiary of Subsea 7 S.A. acquired the entire share capital of Ocean Geo Solutions Inc. The transaction resulted in the recognition of a provisional amount of goodwill of $1.3 million, allocated to the Xodus CGU.

On 22 September 2021, an indirect subsidiary of Subsea 7 S.A. acquired a 59.12% shareholding of Nautilus Floating Solutions, S.L. The transaction resulted in the recognition of a provisional amount of goodwill of $5.3 million, allocated to the Nautilus CGU.

For financial management and reporting purposes, the Group is organised into management regions. Management regions are aligned with the Group's business units which are used by the Chief Operating Decision Maker (CODM) to allocate resources and appraise performance.

The Group has ten CGUs which are aligned with management regions. At 31 December 2021 the Group's CGUs comprised:

- CGUs for Africa Middle East and Caspian, Asia Pacific, Brazil, Gulf of Mexico, Norway and UK and GIRM (Global Inspection Repair and Maintenance) which include activities connected with the performance of regional projects including SURF activities (related to the engineering, procurement, construction and installation of offshore systems), Conventional services (including the fabrication, installation, extension and refurbishment of platforms and pipelines in shallow water), the long-term PLSV contracts in Brazil, activities connected with the provision of inspection, repair and maintenance services, integrity management of subsea infrastructure and remote intervention support;
- Nautilus CGU which includes activities related to floating wind solutions;
- Xodus CGU which includes activities related to engineering services, advisory services and environmental support;
- 4Subsea CGU which includes activities connected with integrity management of subsea infrastructure; and
- Renewables CGU which includes activities connected with three specialist segments of the fixed offshore wind market: the installation of offshore wind turbine foundations and inner-array cables, heavy lifting and heavy transportation operations related to the renewables sector, and the decommissioning of redundant offshore structures.

The Group performed its annual goodwill impairment review at 31 December 2021. Subsequent to this review the carrying amounts of the goodwill were allocated to the following CGUs:

At (in $ millions)	2021 31 Dec
Nautilus	**5.3**
Norway	**9.5**
Renewables	**70.0**
UK GIRM	**40.7**
Xodus	**16.1**
4Subsea	**18.9**
Total	**160.5**

At 31 December 2021 there was no goodwill associated with the Africa Middle East and Caspian, Asia Pacific, Brazil and Gulf of Mexico CGUs.

The recoverable amounts of the CGUs were determined based on a value-in-use calculation using pre-tax, risk adjusted cash flow projections approved by the Executive Management Team covering a five-year period from 2022 to 2026. These projections included certain considerations for climate change related risks and opportunities on the period. Cash flows beyond this five-year period were extrapolated in perpetuity using a 2.0% (2020: 2.0%) growth rate to determine the terminal value. The pre-tax discount rate applied to the risk adjusted cash flow projections was 10.6% (2020: 10.8%).

Key assumptions used in value-in-use calculations

Management considers that the calculations of value-in-use for all CGUs are most sensitive to the following key assumptions:

- EBITDA forecasts;
- the pre-tax discount rate; and
- the growth rate used to extrapolate cash flows.

EBITDA forecast – The EBITDA forecast for each CGU is dependent on a combination of factors including market size, market share, contractual backlog, gross margins, future project awards, asset utilisation and an assessment of the impacts of competition within the respective segments. Assumptions are based on a combination of internal and external studies, management judgements and historical information, adjusted for any foreseen changes in market conditions.

Pre-tax discount rate – The pre-tax discount rate was estimated based on the weighted average cost of capital of the Group, amended to reflect a normalised capital structure for the energy sector. Risk premiums were not applied to the discount rate applied to individual CGUs as the CGU cash flow projections were risk adjusted.

Growth rate estimates – The 2.0% (2020: 2.0%) growth rate used to extrapolate the cash flow projections beyond the five-year period is broadly consistent with market expectations for long-term growth in the industry and assumes no significant change in the Group's market share and the range of services and products provided.

Sensitivity to changes in key assumptions

In determining the value-in-use recoverable amount for each CGU, sensitivities have been applied to key assumptions. The industry in which the Group operates is cyclical and highly dependent on energy prices; this could lead to changes in future cash flows which are greater than the sensitivity ranges applied.

In the performance of sensitivity analysis the impacts of the following changes to key assumptions were assessed:

- an increase in the pre-tax discount rate by 1 percentage point;
- a decrease in the pre-tax discount rate by 1 percentage point;
- an increase in the long-term growth rate by 1 percentage point;
- a decrease in the long-term growth rate by 1 percentage point;
- a 10% increase in the forecast EBITDA assumptions during the five-year period from 2022 to 2026, and the EBITDA upon which terminal values have been calculated; and
- a 10% decrease in the forecast EBITDA assumptions during the five-year period from 2022 to 2026, and the EBITDA upon which terminal values have been calculated.

CGUs not impaired and not sensitive to impairment

Changes to any of the key assumptions used in the sensitivity analysis would not, in isolation, cause the recoverable amount of the Norway, Renewables, UK GIRM, Xodus, Nautilus and 4Subsea CGUs to be materially less than their carrying amount.

The Africa Middle East and Caspian, Asia Pacific, Brazil and Gulf of Mexico CGUs have no goodwill, therefore any future changes in the key assumptions, in isolation, would not result in an impairment charge being recognised against goodwill.

14. INTANGIBLE ASSETS

(in $ millions)	Software	Customer contracts (backlog)	Other intangibles	Total
Cost				
At 1 January 2020	47.4	30.5	83.3	161.2
Additions	2.0	–	24.0	26.0
Disposals	(4.4)	–	(0.3)	(4.7)
Exchange differences	1.1	–	2.5	3.6
At 31 December 2020	46.1	30.5	109.5	186.1
Acquisition of businesses	–	–	2.3	2.3
Additions	8.4	–	0.1	8.5
Disposals	(10.4)	(30.5)	(34.1)	(75.0)
Exchange differences	(0.2)	–	0.3	0.1
At 31 December 2021	**43.9**	**–**	**78.1**	**122.0**
Accumulated amortisation and impairment				
At 1 January 2020	30.2	30.5	57.7	118.4
Charge for the year	3.4	–	11.3	14.7
Impairments	–	–	9.2	9.2
Eliminated on disposal	(3.9)	–	(0.3)	(4.2)
Exchange differences	0.8	–	1.2	2.0
At 31 December 2020	30.5	30.5	79.1	140.1
Charge for the year	3.6	–	11.1	14.7
Impairments	–	–	4.8	4.8
Eliminated on disposal	(10.2)	(30.5)	(34.1)	(74.8)
Exchange differences	–	–	(0.1)	(0.1)
At 31 December 2021	**23.9**	**–**	**60.8**	**84.7**
Carrying amount:				
At 31 December 2020	15.6	–	30.4	46.0
At 31 December 2021	**20.0**	**–**	**17.3**	**37.3**

The table above includes assets under construction of $6.1 million (2020: $15.8 million). Other intangible assets includes capitalised expenditure related to the Group's digitalisation programme.

An impairment test was performed on the balances at 31 December 2021 and impairment charges of $4.8 million (2020: $9.2 million) were recognised. The impairment charges were mainly related to technology assets where future economic benefit is considered to be uncertain. The charges were recognised in the Consolidated Income Statement within operating expenses in the Corporate business unit.

15. PROPERTY, PLANT AND EQUIPMENT

(in $ millions)	Vessels	Operating equipment	Land and buildings	Other assets	Total
Cost					
At 1 January 2020	5,874.2	1,020.3	523.0	70.5	7,488.0
Additions	156.7	17.4	2.8	–	176.9
Exchange differences	18.6	13.1	(5.5)	(2.3)	23.9
Transfers	7.2	(4.5)	–	(2.7)	–
Disposals	(78.7)	(28.8)	(1.7)	(15.1)	(124.3)
At 31 December 2020	5,978.0	1,017.5	518.6	50.4	7,564.5
Acquisition of businesses	290.5	–	–	1.2	291.7
Additions	105.2	28.9	10.3	13.5	157.9
Exchange differences	(0.8)	(1.3)	(5.8)	(0.8)	(8.7)
Transfers	(0.7)	0.3	4.0	(3.6)	–
Disposals	(374.2)	(28.1)	(4.0)	(2.7)	(409.0)
At 31 December 2021	**5,998.0**	**1,017.3**	**523.1**	**58.0**	**7,596.4**
Accumulated depreciation and impairment					
At 1 January 2020	2,002.5	750.0	256.1	57.1	3,065.7
Charge for the year	255.0	50.6	22.7	6.6	334.9
Impairments	249.3	13.4	19.3	–	282.0
Exchange differences	7.5	11.0	(1.2)	(0.2)	17.1
Eliminated on disposals	(77.5)	(23.9)	(1.6)	(14.8)	(117.8)
At 31 December 2020	2,436.8	801.1	295.3	48.7	3,581.9
Charge for the year	263.2	49.0	21.9	7.0	341.1
Impairments	–	–	4.1	–	4.1
Exchange differences	(1.7)	(0.8)	(2.9)	(0.7)	(6.1)
Transfers	2.4	–	–	(2.4)	–
Eliminated on disposals	(371.0)	(28.0)	(4.0)	(2.6)	(405.6)
At 31 December 2021	**2,329.7**	**821.3**	**314.4**	**50.0**	**3,515.4**
Carrying amount:					
At 31 December 2020	3,541.2	216.4	223.3	1.7	3,982.6
At 31 December 2021	**3,668.3**	**196.0**	**208.7**	**8.0**	**4,081.0**

The table above includes assets under construction of $285.4 million at 31 December 2021 (2020: $85.7 million).

An impairment test was performed on the balances of property, plant and equipment at 31 December 2021 and impairment charges totalling $4.1 million (2020: $282.0 million) were recognised where the future recoverable amounts were reassessed and reduced. The charges were recognised in the Consolidated Income Statement within operating expenses. Recoverable amount is defined as the higher of value-in-use and fair value less costs of disposal and was determined by management based on recent similar market transactions, an assessment of internal estimates and independent external valuations.

16. RIGHT-OF-USE ASSETS

(in $ millions)	Vessels	Operating equipment	Land and buildings	Other assets	Total
Cost					
At 1 January 2020	283.4	6.2	120.4	2.7	412.7
Additions	38.2	0.2	13.4	0.6	52.4
Exchange differences	4.9	0.1	3.4	–	8.4
Remeasurement	(9.0)	–	(0.1)	–	(9.1)
Disposals	(60.3)	(4.3)	(5.0)	(0.4)	(70.0)
At 31 December 2020	257.2	2.2	132.1	2.9	394.4
Acquisition of businesses	–	–	3.0	–	3.0
Additions	30.3	8.6	15.3	0.6	54.8
Exchange differences	(1.2)	(0.7)	(4.6)	(0.1)	(6.6)
Remeasurement	(2.5)	–	3.0	–	0.5
Disposals	–	(0.9)	(10.2)	(0.4)	(11.5)
At 31 December 2021	**283.8**	**9.2**	**138.6**	**3.0**	**434.6**
Accumulated amortisation and impairment					
At 1 January 2020	59.1	2.7	22.3	0.8	84.9
Charge for the year	54.2	2.7	24.3	0.9	82.1
Impairments	12.2	0.4	19.3	–	31.9
Exchange differences	10.0	(0.1)	1.4	–	11.3
Remeasurement	4.0	–	2.4	–	6.4
Eliminated on disposals	(26.2)	(4.3)	(4.6)	(0.4)	(35.5)
At 31 December 2020	113.3	1.4	65.1	1.3	181.1
Charge for the year	53.7	4.7	19.3	0.8	78.5
Impairments	–	–	0.2	–	0.2
Impairment reversals	–	–	(3.7)	–	(3.7)
Exchange differences	(5.2)	(0.3)	(4.7)	–	(10.2)
Remeasurement	(4.4)	–	(1.8)	–	(6.2)
Eliminated on disposals	–	(0.9)	(10.2)	(0.4)	(11.5)
At 31 December 2021	**157.4**	**4.9**	**64.2**	**1.7**	**228.2**
Carrying amount:					
At 31 December 2020	143.9	0.8	67.0	1.6	213.3
At 31 December 2021	**126.4**	**4.3**	**74.4**	**1.3**	**206.4**

The Group leases vessels, operating equipment and properties with contracts which are typically for fixed periods but may have extension options used to maximise operational flexibility. The majority of extension and termination options held are exercisable only by the Group not the respective lessors. Lease liabilities are disclosed within Note 28 'Lease liabilities'. Commitments to leases which have not yet commenced are disclosed within Note 32 'Commitments and contingent liabilities'.

An impairment test was performed on the balances at 31 December 2021 and impairment charges totalling $0.2 million (2020: $31.9 million) were recognised. In addition impairment reversals totalling $3.7 million were recognised (2020: $nil).

17. INTERESTS IN ASSOCIATES AND JOINT ARRANGEMENTS

Interests in associates and joint ventures

At 31 December 2021 the Group had interests in 11 joint ventures. The Group's ownership interests in joint ventures were as follows:

	Year end	Country of registration	Operating segment	Classification	Subsea 7 ownership %
Astori Sp. z.o.o.	31 December	Poland	Subsea and Conventional	Joint Venture	49
Belmet 7 Limited	31 December	Ghana	Subsea and Conventional	Joint Venture	49
Eidesvik Seven AS	31 December	Norway	Subsea and Conventional	Joint Venture	50
Eidesvik Seven Chartering AS	31 December	Norway	Subsea and Conventional	Joint Venture	50
ENMAR S.A.	31 December	Mozambique	Subsea and Conventional	Joint Venture	51
GO FZE	31 December	Nigeria	Subsea and Conventional	Joint Venture	40
Global Oceon Engineers Nigeria Limited	31 December	Nigeria	Subsea and Conventional	Joint Venture	40
SapuraAcergy Assets Pte Ltd[(a)]	31 January	Malaysia	Subsea and Conventional	Joint Venture	51
SapuraAcergy Sdn Bhd[(a)]	31 January	Malaysia	Subsea and Conventional	Joint Venture	50
Subsea Integration Alliance LLC	31 December	US	Subsea and Conventional	Joint Venture	50
Subsea 7 Malaysia Sdn Bhd	31 December	Malaysia	Subsea and Conventional	Joint Venture	30

(a) The Group has 50% equity ownership of SapuraAcergy Sdn. Bhd and 51% equity ownership in SapuraAcergy Assets Pte Ltd, however, 1% is subject to a put and call option for the benefit of its joint venture partner.

For all entities the principal place of business is consistent with the country of registration. For the majority of entities the proportion of voting rights is consistent with the proportion of ownership interest, however in some cases some specific matters require unanimous approval of all shareholders.

All interests in joint ventures are accounted for using the equity method. Financial information, using consistent accounting policies, for the year ended 31 December 2021 is used for all entities. The movement in the balance of investments in joint ventures was as follows:

(in $ millions)	**2021**	2020
At year beginning	**29.5**	26.2
Share of net income/(loss) of associates and joint ventures	**3.9**	(0.5)
Investment in joint ventures	**–**	0.6
Derecognition of investments in joint ventures	**–**	(1.8)
Net reclassification of investment balances	**(4.5)**	4.4
Exchange differences	**(0.3)**	0.6
At year end	**28.6**	29.5

Net reclassification of investment balances

This amount relates primarily to reclassification within the Group's balance sheet of negative investment balances to other non-current liabilities.

Summarised financial information

At 31 December 2021 none of the Group's investments in joint ventures were individually material to the Group therefore summarised financial information has not been provided.

Interests in joint arrangements

The Group executes contracts on a regular basis through unstructured joint operations governed by alliance or consortium agreements. These agreements provide for joint and several liability for the parties involved. The material joint operations of the Group are detailed below.

The Group participates in Subsea Integration Alliance (SIA), through unincorporated strategic global operations between Subsea 7 and OneSubsea®, the subsea technologies, production and processing systems division of Schlumberger. As part of the alliance, Subsea 7 and OneSubsea® agree terms and conditions on a project-by-project basis; this governs the relationship between the entities executing contracts with clients. SIA operates globally and provides clients with subsea technologies, production and processing systems, bringing together field development planning, project delivery and total lifecycle solutions under an extensive technology and services portfolio. Contracts with clients are entered into by individual entities of the Subsea 7 and OneSubsea® groups, with all activities executed on a joint and several basis.

Saudi Arabian Oil Company awarded a long-term frame agreement to a consortium consisting of Subsea 7 and L&T Hydrocarbon Engineering. This unincorporated consortium is governed by a consortium agreement, and Subsea 7 and L&T Hydrocarbon Engineering are jointly and severally liable to Saudi Arabian Oil Company for the various call-off work orders awarded to the consortium via the long-term frame agreement. The consortium's activities include project management, engineering, procurement, fabrication, transportation and installation of offshore facilities and infrastructure. The principal place of business of the unincorporated consortium is the Kingdom of Saudi Arabia.

18. ADVANCES AND RECEIVABLES

At (in $ millions)	2021 31 Dec	2020 31 Dec
Non-current amounts due from associates and joint ventures	**38.6**	7.3
Allowance for credit impairment	**(1.6)**	(1.6)
	37.0	5.7
Capitalised fees for long-term loan facilities	**5.3**	1.4
Deposits held by third parties	**1.0**	1.1
Other receivables	**14.1**	14.8
Total	**57.4**	23.0

19. INVENTORIES

At (in $ millions)	2021 31 Dec	2020 31 Dec
Materials and non-critical spares	**10.4**	14.6
Consumables	**29.9**	11.8
Total	**40.3**	26.4

For the year ended (in $ millions)	2021 31 Dec	2020 31 Dec
Total cost of inventory charged to the Consolidated Income Statement	**114.5**	53.7
Write-down of inventories charged to the Consolidated Income Statement	**0.5**	0.9
Provision for obsolescence charged/(reversal of provision for obsolescence credited) to the Consolidated Income Statement	**2.4**	(0.1)

At 31 December 2021 inventories included a provision for obsolescence of $6.5 million (2020: $7.8 million). There were no inventories pledged as security.

20. TRADE AND OTHER RECEIVABLES

At (in $ millions)	2021 31 Dec	2020 31 Dec
Trade receivables	**519.2**	523.7
Allowance for expected credit losses	**(2.2)**	(2.7)
Allowance for credit impairment	**(3.9)**	(23.3)
	513.1	497.7
Current amounts due from associates and joint ventures	**4.4**	9.2
Allowance for credit impairment	**(1.9)**	(1.9)
	2.5	7.3
Other receivables	**20.5**	25.8
Advances to suppliers	**39.0**	6.3
Other taxes receivable	**80.8**	53.6
Total	**655.9**	590.7

Details of how the Group manages its credit risk and further analysis of the trade receivables balance, allowances for expected credit losses and allowances for credit impairment are shown in Note 33 'Financial instruments'.

Other receivables include insurance receivables, customer retentions and deposits.

Other taxes receivable include value added tax, sales tax, withholding tax, social security tax and other indirect taxes.

21. OTHER ACCRUED INCOME AND PREPAID EXPENSES

At (in $ millions)	2021 31 Dec	2020 31 Dec
Unbilled revenue	**88.1**	78.4
Allowance for expected credit losses	**(0.4)**	(1.3)
	87.7	77.1
Prepaid expenses	**116.8**	120.5
Total	**204.5**	197.6

Unbilled revenue relates to work completed on day-rate contracts, which had not been billed to clients at the balance sheet date. There were no contract liability balances which relate to this category of contract revenue. Revenue of $6.0 million (2020: $1.2 million) was recognised in the year relating to performance obligations satisfied in previous periods. The increase in the balance during the year was due to increased activity in the UK, partly offset by reduced activity in the Gulf of Mexico.

Prepaid expenses arise in the normal course of business and represent expenditure which has been deferred and which will be recognised in the Consolidated Income Statement within 12 months of the balance sheet date.

The movement in the allowance for expected credit losses in respect of unbilled revenue during the year was as follows:

(in $ millions)	**2021 31 Dec**	2020 31 Dec
Allowance for expected credit losses		
At year beginning	**(1.3)**	(0.3)
Decrease/(increase) in allowance recognised in profit or loss	**0.9**	(1.0)
At year end	**(0.4)**	(1.3)

Details of how the Group manages its credit risk are shown in Note 33 ‘Financial instruments’.

At 31 December 2021 the allowance for credit impairment in respect of unbilled revenue was $nil (2020: $nil).

22. CONSTRUCTION CONTRACTS

(in $ millions)	**Construction contracts – assets**	**Construction contracts – liabilities**
At 31 December 2021		
Current	**791.4**	**(205.7)**
Allowance for expected credit losses	**(3.2)**	**–**
	788.2	**(205.7)**
Non-current	**4.4**	**–**
Total	**792.6**	**(205.7)**

(in $ millions)	Construction contracts – assets	Construction contracts – liabilities
At 31 December 2020		
Current	474.4	(279.5)
Allowance for expected credit losses	(3.8)	–
	470.6	(279.5)
Non-current	6.7	–
Total	477.3	(279.5)

(in $ millions)	**2021 31 Dec**	2020 31 Dec
Revenue recognised which was included in construction contract liabilities at beginning of year	**267.9**	159.6
Revenue recognised from performance obligations satisfied in previous periods	**69.1**	52.4

Revenue recognised which was included in construction contract liabilities at the beginning of the year of $267.9 million (2020: $159.6 million) represents amounts included within the construction contract liabilities balance at 1 January 2021 which have been recognised as revenue during the year. Revenue recognised from performance obligations satisfied in previous periods of $69.1 million (2020: $52.4 million) represents revenue recognised in the Consolidated Income Statement for projects which were considered operationally complete at the prior year end.

Significant movements in the construction contract asset and construction contract liability balances

The Group has construction contract asset and construction contract liability balances as a result of long-term projects in the Subsea and Conventional and Renewables business units. Details of the Group’s treatment of performance obligations are disclosed in Note 3 ‘Significant accounting policies’. Due to the number and size of projects within the Group, construction contract asset and liability balances can vary significantly at each reporting date. Cumulative adjustments to revenue are most commonly caused by a change to the estimate of the transaction price due to a reassessment of the constraint to variable consideration, awarded variation orders, scope changes or amendments to the cost profile.

The $315.3 million increase in construction contract assets during 2021 was driven by an increase in activity in the Subsea and Conventional, primarily in the Gulf of Mexico and Brazil, and Renewables business units.

22. CONSTRUCTION CONTRACTS CONTINUED

Construction contract assets

An analysis of the ageing of construction contract assets at the balance sheet date has not been provided. Due to the nature of the balances and the fact that the Group invoices on a milestone basis, the ageing of construction contract assets is not reflective of the credit risk associated with these balances.

The movement in the allowance for expected credit losses in respect of net construction contract assets during the year was as follows:

(in $ millions)	**2021 31 Dec**	2020 31 Dec
Allowance for expected credit losses		
At year beginning	**(3.8)**	(1.1)
Decrease/(increase) in allowance recognised in profit or loss	**0.6**	(2.7)
At year end	**(3.2)**	(3.8)

The allowance for expected credit losses decreased during the year due to fluctuations in the mix of customers, the size of receivables due and the default probability.

At 31 December 2021 the allowance for credit impairment recognised in connection with construction contract assets was $nil (2020: $nil).

Transaction price allocated to the remaining performance obligations

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

At 31 December 2021

	Expected year of execution				
(in $ millions)	**2022**	**2023**	**2024**	**2025 and beyond**	**Total**
Subsea and Conventional	**3,404.6**	**1,813.7**	**614.7**	**127.9**	**5,960.9**
Renewables	**882.0**	**168.9**	**186.4**	**0.4**	**1,237.7**
Corporate	**13.1**	**–**	**–**	**–**	**13.1**
Total	**4,299.7**	**1,982.6**	**801.1**	**128.3**	**7,211.7**

At 31 December 2020

	Expected year of execution				
(in $ millions)	2021 Re-presented[(a)]	2022 Re-presented[(a)]	2023 Re-presented[(a)]	2024 and beyond Re-presented[(a)]	Total Re-presented[(a)]
Subsea and Conventional	2,826.8	913.3	356.7	116.4	4,213.2
Renewables	1,258.4	643.6	84.2	0.4	1,986.6
Corporate	14.4	–	–	–	14.4
Total	4,099.6	1,556.9	440.9	116.8	6,214.2

(a) Re-presented due to new organisational structure implemented from 1 January 2021.

The estimate of the transaction price does not include any amounts of variable consideration which are constrained.

23. CASH AND CASH EQUIVALENTS

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Cash and cash equivalents	**597.6**	511.6

Cash and cash equivalents included amounts totalling $44.5 million (2020: $31.4 million) held by Group undertakings in certain countries whose exchange controls may significantly restrict or delay the remittance of these amounts to jurisdictions outside of that country.

24. ISSUED SHARE CAPITAL

Authorised shares

	2021 31 Dec Number of shares	**2021 31 Dec in $ millions**	2020 31 Dec Number of shares	2020 31 Dec in $ millions
Authorised common shares, $2.00 par value	**450,000,000**	**900.0**	450,000,000	900.0

Issued shares

	2021 31 Dec Number of shares	**2021 31 Dec in $ millions**	2020 31 Dec Number of shares	2020 31 Dec in $ millions
Fully paid and issued common shares	**300,000,000**	**600.0**	300,000,000	600.0
The issued common shares consist of:				
Common shares excluding treasury shares	**295,465,893**	**590.9**	297,673,317	595.3
Treasury shares at par value (Note 25)	**4,534,107**	**9.1**	2,326,683	4.7
Total	**300,000,000**	**600.0**	300,000,000	600.0

25. TREASURY SHARES

Share repurchase programme

On 24 July 2019, the Board of Directors authorised a new share repurchase programme of up to $200 million, to be executed over two years. The programme was approved pursuant to the authorisation granted to the Board of Directors at the Extraordinary General Meeting held on 17 April 2019, which allows for the purchase of up to a maximum of 10% of the Group's issued share capital, net of purchases already made. On 15 April 2021, the Board of Directors authorised a 24-month extension to the Group's share repurchase programme in accordance with the authority granted to the Board of Directors at the Extraordinary General Meeting held on 14 April 2021.

During 2021, the Group repurchased 2,724,172 (2020: 1,627,968) shares for a total consideration of $21.0 million (2020: $9.8 million). At 31 December 2021, the cumulative number of shares repurchased under this programme was 4,352,140 for a total consideration of $30.8 million.

All repurchases were made in the open market on the Oslo Børs, pursuant to certain conditions, and were in conformity with Article 49-2 of Luxembourg Company Law and EU Commission Regulation 2273/2003 on exemptions for repurchase programmes and stabilisation of financial instruments. At 31 December 2021 the remaining repurchased shares, which had not been reallocated relating to share-based payments, were held as treasury shares.

Summary

At 31 December 2021 Subsea 7 S.A. held 4,534,107 treasury shares (2020: 2,326,683), which amounted to 1.51% (2020: 0.78%) of the total number of issued shares.

	2021 Number of shares	**2021 in $ millions**	2020 Number of shares	2020 in $ millions
At year beginning	**2,326,683**	**17.8**	1,212,860	14.0
Shares repurchased	**2,724,172**	**21.0**	1,627,968	9.8
Shares reallocated relating to share-based payments	**(516,748)**	**(5.9)**	(514,145)	(6.0)
Balance at year end	**4,534,107**	**32.9**	2,326,683	17.8

26. NON-CONTROLLING INTERESTS

At 31 December 2021 the Group's respective ownership interests in subsidiaries which are non-wholly-owned were as follows:

	Year end	Country of registration	Subsea 7 ownership %
Globestar Engineering Company (Nigeria) Limited	31 December	Nigeria	98.8
Nautilus Floating Solutions S.L.	31 December	Spain	59.1
Naviera Subsea 7 S. de R.L. de C.V.	31 December	Mexico	49.0
Nigerstar 7 FZE	31 December	Nigeria	49.0
Nigerstar 7 Limited	31 December	Nigeria	49.0
PT Subsea 7 Indonesia	31 December	Indonesia	94.9
Seaway 7 ASA	31 December	Norway	72.0
Servicios Subsea 7 S. de R.L. de C.V.	31 December	Mexico	52.0
Sonacergy – Serviços E Construções Petrolíferas Lda.	31 December	Portugal	55.0
Sonamet Industrial S.A.	31 December	Angola	55.0
Subsea Seven Doha Oil and Gas Services and Trading LLC	31 December	Qatar	49.0
Subsea 7 Equatorial Guinea S.A.	31 December	Equatorial Guinea	65.0
Subsea 7 Volta Contractors Limited	31 December	Ghana	49.0

For all entities, the principal place of business is consistent with the country of registration. Financial information for the year ended 31 December 2021 has been used for all entities.

The movement in the equity attributable to non-controlling interests was as follows:

(in $ millions)	**2021**	2020
At year beginning	**27.3**	34.3
Share of net income/(loss) for the year	**4.6**	(12.4)
Acquisition of businesses	**278.3**	–
Dividends declared	**–**	(1.1)
Reclassification of non-controlling interests to equity attributable to shareholders of Subsea 7 S.A.	**–**	5.3
Reclassification of cumulative exchange differences from equity attributable to shareholders of Subsea 7 S.A. to non-controlling interests	**(2.9)**	–
Exchange differences	**(1.9)**	1.2
At year end	**305.4**	27.3

Additions

During the year the Group acquired ownership interests in two non-wholly-owned entities, Nautilus Floating Solutions, S.L and Seaway 7 ASA. Further details are disclosed in Note 12 'Business combinations'.

Summarised financial information

Financial information of the non-wholly-owned subsidiary which had a material impact on the Consolidated Financial Statements is shown below:

Seaway 7 ASA

The Group holds a 72% interest in Seaway 7 ASA, a global group operating in the renewables market.

For the year ended (in $ millions)	**2021 31 Dec**	2020 31 Dec
Revenue	**1,260.0**	631.4
Net loss	**(62.5)**	(49.5)
Total comprehensive loss	**(61.3)**	(44.3)
Total comprehensive loss attributable to non-controlling interests	**(17.2)**	(12.4)

For the year ended (in $ millions)	**2021 31 Dec**	2020 31 Dec
Net cash flows generated from/(used in) operating activities	**38.6**	(3.0)
Net cash flows used in investing activities	**(38.0)**	(16.9)
Net cash flows generated from financing activities	**15.2**	23.4
Net increase in cash and cash equivalents	**15.8**	3.5

As at (in $ millions)	**2021 31 Dec**	2020 31 Dec
Non-current assets	**1,025.1**	607.8
Current assets	**327.6**	159.2
Current liabilities	**(458.5)**	(181.6)
Net assets	**894.2**	585.4
Total equity	**(864.3)**	(578.1)
Total equity attributable to the shareholders of the parent company	**(622.3)**	(416.2)
Total equity attributable to non-controlling interests	**(242.0)**	(161.9)

27. BORROWINGS

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
South Korean Export Credit Agency (ECA) facility	**184.4**	209.0
UK Export Finance (UKEF) facility	**200.0**	–
Seaway 7 ASA Revolving Credit Facility	**37.0**	–
Other	**0.5**	–
Total	**421.9**	209.0
Consisting of:		
Non-current portion of borrowings	**360.3**	184.4
Current portion of borrowings	**61.6**	24.6
Total	**421.9**	209.0

Commitment fees expensed during the year in respect of unused lines of credit totalled $2.6 million (2020: $2.3 million).

Facilities

The multi-currency revolving credit and guarantee facility

The Group has a $656 million multi-currency revolving credit and guarantee facility, which matures on 4 September 2023. The facility is available in a combination of guarantees, up to a limit of $200 million, and cash drawings, or in full for cash drawings. The facility is guaranteed by Subsea 7 S.A. and Subsea 7 Finance (UK) PLC, a wholly-owned subsidiary of the Group. The facility was unutilised at 31 December 2021 and 31 December 2020.

The South Korean Export Credit Agency (ECA) facility

In July 2015 the Group entered into a $357 million senior term loan facility secured on two vessels owned by the Group. The facility is provided 90% by an Export Credit Agency (ECA) and 10% by two banks and is available for general corporate purposes. The ECA tranche has a 12-year maturity and a 12-year amortising profile. The commercial tranche initially had a five-year maturity and a 15-year amortising profile, which commenced in April 2017. The commercial tranche was refinanced during November 2021, now maturing in January 2027, while retaining the original amortising profile. The facility is guaranteed by Subsea 7 S.A. and Subsea 7 Finance (UK) PLC. At 31 December 2021, the amount outstanding under the facility was $184.9 million (2020: $209.0 million).

UK Export Finance (UKEF) facility

On 24 February 2021, the Group entered into a $500 million five-year amortising committed loan facility backed by a $400 million guarantee from UK Export Finance. The Group has a two-year availability period during which to draw on the facility. The facility has a five-year tenor which commences at the end of the availability period or when the facility is fully drawn, whichever is earlier. The facility can be used for general corporate purposes, including to provide working capital financing for services provided from the UK. The facility is guaranteed by Subsea 7 S.A. At 31 December 2021, the amount outstanding under the facility was $200.0 million (2020: $nil).

Seaway 7 ASA Revolving Credit Facility

As part of the business combination to combine the Group's Renewables business unit (consisting of the Group's fixed offshore wind business) with OHT ASA (renamed Seaway 7 ASA), the Group acquired the Seaway 7 ASA Revolving Credit Facility. Further details are disclosed in Note 12 'Business combinations'. At 31 December 2021, the amount outstanding under the facility was $37.0 million, which was subsequently repaid in full during January 2022.

Utilisation of facilities

At (in $ millions)	**2021 31 Dec Utilised**	**2021 31 Dec Unutilised**	**2021 31 Dec Total**	2020 31 Dec Utilised	2020 31 Dec Unutilised	2020 31 Dec Total
Committed borrowing facilities	**421.9**	**956.0**	**1,377.9**	209.0	1,456.0	1,665.0

Other facilities

In addition to the above there are a number of uncommitted, unsecured bi-lateral guarantee arrangements in place in order to provide specific geographical coverage. The utilisation of these facilities at 31 December 2021 was $1.3 billion (2020: $1.2 billion).

27. BORROWINGS CONTINUED

Guarantee arrangements with joint ventures

During April 2021, Eidesvik Seven AS, a 50% owned joint venture between Eidesvik Offshore ASA and the Group, repaid in full a facility loan secured on the vessel, *Seven Viking.* The facility had been fully guaranteed by Subsea 7 S.A. with a 50% counter-guarantee from Eidesvik Shipping AS. The bank facility was replaced by a loan advanced to Eidesvik Seven AS by the Group; further details are disclosed in Note 34 'Related party transactions'.

28. LEASE LIABILITIES

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Maturity analysis – contractual undiscounted cash flows		
Within one year	90.3	80.7
Years two to five inclusive	141.8	183.8
After five years	17.1	5.8
Total undiscounted lease liabilities	**249.2**	**270.3**
Effect of discounting	(18.3)	(16.3)
Discounted lease liabilities	**230.9**	**254.0**
Consisting of:		
Non-current	142.9	168.6
Current	88.0	85.4
Total discounted lease liabilities	**230.9**	**254.0**

Amounts recognised within the Consolidated Income Statement in relation to short-term and low-value leases are disclosed within Note 6 'Net operating income'. Payments related to lease liabilities disclosed within the Consolidated Cash Flow statement for the year ended 31 December 2021 were $93.1 million (2020: $103.6 million).

29. OTHER NON-CURRENT LIABILITIES

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Other	**6.1**	14.7
Total	**6.1**	14.7

30. TRADE AND OTHER LIABILITIES

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Accruals	**887.9**	512.3
Trade payables	**271.1**	289.4
Current amounts due to associates and joint ventures	**9.1**	12.0
Accrued salaries and benefits	**106.4**	88.0
Withholding taxes	**15.4**	13.4
Other taxes payable	**44.2**	47.4
Other current liabilities	**18.4**	19.3
Total	**1,352.5**	981.8

31. PROVISIONS

(in $ millions)	Claims	Decommissioning	Restructuring	Onerous fixed-price contracts	Other	Total
At 1 January 2020	18.8	11.2	1.3	57.4	33.1	121.8
Additional provision in the year	3.9	3.7	64.7	70.5	13.0	155.8
Utilisation of provision	(3.5)	(3.5)	(22.4)	(53.3)	(13.5)	(96.2)
Unused amounts released during the year	(0.7)	–	–	(6.4)	(4.2)	(11.3)
Exchange differences	(2.3)	0.1	3.0	(2.5)	(0.4)	(2.1)
At 31 December 2020	16.2	11.5	46.6	65.7	28.0	168.0
Additional provision in the year	2.6	0.4	–	175.8	13.4	192.2
Acquisition of businesses	–	–	–	32.3	–	32.3
Utilisation of provision	(3.3)	(1.6)	(24.8)	(173.6)	(6.5)	(209.8)
Unused amounts released during the year	(0.8)	(0.2)	(18.9)	(9.9)	(5.1)	(34.9)
Effect of changes in the discount rate	–	–	–	–	1.2	1.2
Unwinding of discount rate	–	(0.1)	–	–	–	(0.1)
Exchange differences	(1.0)	–	(0.1)	(1.0)	(0.4)	(2.5)
At 31 December 2021	**13.7**	**10.0**	**2.8**	**89.3**	**30.6**	**146.4**

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Consisting of:		
Non-current provisions	**58.8**	49.5
Current provisions	**87.6**	118.5
Total	**146.4**	168.0

The claims provision comprises a number of claims made against the Group including disputes, personal injury cases and tax claims, where the timing of resolution is uncertain.

The decommissioning provision is mainly in relation to the Group's obligation to restore leased vessels to their original, or agreed, condition. The cash outflows related to the provision are expected to occur in the years in which the leases cease, which range from 2022 to 2025.

The restructuring provision relates to expenses associated with cost reduction and headcount resizing activities. The provision includes employee termination costs and professional fees. The provision is based on statutory requirements and discretionary arrangements for headcount reductions. The release in 2021 resulted from downward revisions to restructuring cost estimates. Cash outflows associated with termination costs and professional fees are expected to occur in 2022.

Onerous fixed-price contract provisions relate to projects where total forecast costs at completion exceed the expected transaction price. The cash outflows related to the provisions are expected to occur during 2022 and 2023.

Other provisions mainly related to onerous day-rate contracts and contingent consideration.

32. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

The Group's commitments at 31 December 2021 consisted of:

- commitments to purchase property, plant and equipment from external suppliers of $403.0 million (2020: $37.0 million), including commitments related to *Seaway Alfa Lift*, an offshore wind foundation installation vessel, and *Seaway Ventus*, an offshore wind turbine installation vessel; and
- short-term lease commitments totalling $28.8 million (2020: $35.2 million).

Contingent liabilities

A summary of the contingent liabilities is as follows:

	Contingent liability recognised		Contingent liability not recognised	
(in $ millions)	**2021**	2020	**2021**	2020
At year beginning	**6.0**	7.9	**285.2**	349.0
Movement in contingent liabilities	**–**	(0.5)	**(91.5)**	(3.8)
Exchange differences	**(0.5)**	(1.4)	**(17.3)**	(60.0)
At year end	**5.5**	6.0	**176.4**	285.2

Contingent liabilities recognised in the Consolidated Balance Sheet

As a result of the business combination between Acergy S.A. and Subsea 7 Inc., on 7 January 2011, IFRS 3 'Business Combinations' required the Group to recognise as a provision, as of the acquisition date, the fair value of contingent liabilities assumed if there was a present obligation that arose from past events, even where payment was not probable. The value of the provision recognised within the Consolidated Balance Sheet at 31 December 2021 was $5.0 million (2020: $5.5 million). While complying with the requirements of IFRS 3, management continues to believe that payment relating to the remaining recognised contingent liabilities is not probable.

As part of the accounting for the business combination of Pioneer Lining Technology Limited, the Group was required to recognise a contingent liability at the acquisition date, in respect of contingent amounts payable to a third party following the acquisition of intangible assets in 2009, in accordance with IFRS 3. The contingent liability recognised within the Consolidated Balance Sheet at 31 December 2021 was $0.5 million (2020: $0.5 million).

Contingent liabilities not recognised in the Consolidated Balance Sheet

Between 2009 and 2020, the Group's Brazilian businesses were audited and formally assessed for Imposto sobre Circulaçao de Mercadorias e Serviços (ICMS and federal taxes including import duty) by the Brazilian state and federal tax authorities. The amount assessed, including penalties and interest, at 31 December 2021 amounted to BRL 821.5 million, equivalent to $145.1 million (2020: BRL 834.5 million, equivalent to $161.7 million). The Group has challenged these assessments. A contingent liability has been disclosed for the total amounts assessed as the disclosure criteria have been met however management believes that the likelihood of payment is not probable.

During 2018, 2019 and 2020 the Group's Brazilian business received several labour claims and civil tax assessments. The amounts claimed or assessed at 31 December 2021 totalled BRL 234.8 million, equivalent to $41.5 million (2020: BRL 238.8 million, equivalent to $46.2 million). The Group has challenged these claims. A contingent liability has been disclosed for BRL 177.4 million, equivalent to $31.3 million (2020: BRL 187.3 million, equivalent to $36.3 million) as the disclosure criteria has been met however management believes that the likelihood of payment is not probable. A provision of BRL 57.4 million, equivalent to $10.1 million (2020: BRL 51.5 million, equivalent to $9.9 million) was recognised within the Consolidated Balance Sheet at 31 December 2021 as the IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' recognition criteria were met.

The Group is subject to tax audits and receives tax assessments in a number of jurisdictions where it has, or has had, operations. The estimation of the ultimate outcome of these audits and disputed tax assessments is complex and subjective. The likely outcome of the audits and associated cash outflow, if any, may be impacted by technical uncertainty and the availability of supporting documentation.

During the first quarter of 2021, the Group reached full and final settlement in respect of an audit by Rivers State, Nigeria. The settlement did not have a significant impact on the Consolidated Financial Statements of the Group and no future contingent liability disclosure will be required. At 31 December 2020, a contingent liability was disclosed of NGN 34,190 million, equivalent to $87.2 million.

In the ordinary course of business, various claims, legal actions and complaints have been filed against the Group in addition to those specifically referred to above. The Group typically also provides contractual warranties for the repair of defects which are identified during a contract and within a defined period thereafter. Warranty periods vary dependent on contract type and operating segment; engineering, procurement, installation and commissioning (EPIC) oil and gas contracts typically attract shorter periods than EPIC renewables contracts. Liability exposure levels are monitored by management and risk transfer mechanisms arranged where deemed appropriate. Although the final resolution of any of these matters could have a material effect on its operating results for a particular reporting period, management believes that it is not probable that these matters would materially impact the Group's Consolidated Financial Statements.

33. FINANCIAL INSTRUMENTS

Details of the significant accounting policies adopted including the classification, basis of measurement and recognition of income and expense in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 'Significant accounting policies'.

Classification of financial instruments

Financial instruments are classified as follows:

At (in $ millions)	**2021 31 Dec Carrying amount**	2020 31 Dec Carrying amount
Financial assets		
Restricted cash	**5.7**	7.1
Cash and cash equivalents (Note 23)	**597.6**	511.6
Financial assets mandatorily measured at fair value through profit or loss:		
Foreign exchange forward contracts	**1.3**	1.4
Embedded derivatives	**43.5**	49.7
Commodity derivatives	**2.9**	3.2
Financial assets elected to be measured at fair value through other comprehensive income:		
Commodity derivatives	**12.8**	–
Other financial assets – financial investments	**1.3**	2.9
Financial assets measured at amortised cost:		
Net trade receivables (Note 20)	**513.1**	497.7
Net non-current amounts due from associates and joint ventures (Note 18)	**37.0**	5.7
Net current amounts due from associates and joint ventures (Note 20)	**2.5**	7.3
Other financial receivables	**19.2**	14.9
Financial liabilities		
Financial liabilities mandatorily measured at fair value through profit or loss:		
Foreign exchange forward contracts	**(3.9)**	(1.2)
Embedded derivatives	**(25.5)**	(44.2)
Commodity derivatives	**–**	(2.1)
Contingent consideration	**(6.6)**	(7.7)
Financial liabilities measured at amortised cost:		
Trade payables (Note 30)	**(271.1)**	(289.4)
Lease liabilities (Note 28)	**(230.9)**	(254.0)
Current amounts due to associates and joint ventures (Note 30)	**(9.1)**	(12.0)
Borrowings (Note 27)	**(421.9)**	(209.0)
Other financial payables	**(13.4)**	(13.6)

Fair value

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Consolidated Financial Statements approximate their fair values due to their short-term nature or contractual cash flow characteristics.

Financial instruments – gains and losses recognised within profit or loss

The Group's financial instruments resulted in the recognition of the following in the Consolidated Income Statement:

For the year ended (in $ millions)	**2021 31 Dec**	2020 31 Dec
Interest income from financial assets measured at amortised cost	**4.7**	4.8
Net fair value (losses)/gains on financial assets measured at fair value through profit or loss	**(6.6)**	48.8
Net fair value losses on financial liabilities measured at fair value through profit or loss	**(18.1)**	(39.4)

33. FINANCIAL INSTRUMENTS CONTINUED

Fees incurred in connection with financial instruments

Total fees incurred during the year in connection with financial instruments measured at amortised cost were $1.6 million (2020: $3.5 million).

Cash and cash equivalents

At 31 December 2021 the Group held cash and cash equivalents of $597.6 million (2020: $511.6 million) which included cash and cash equivalents available on demand of $321.4 million (2020: $244.1 million) and time deposits with financial institutions of $276.2 million (2020: $267.5 million).

The table below shows the carrying amount related to amounts on deposit. These are graded and monitored internally by the Group based on current external credit ratings issued, with 'prime' being the highest possible rating.

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Deposits:		
Counterparties rated prime grade	**80.0**	80.0
Counterparties rated high grade	**–**	15.0
Counterparties rated upper-medium grade	**170.0**	131.9
Counterparties rated lower-medium grade	**21.4**	40.6
Counterparties rated non-investment grade	**4.8**	–
Total	**276.2**	267.5

Financial instruments mandatorily measured at fair value through profit or loss

The Group classifies its financial assets at fair value through profit or loss if classified as one of the following:

- debt instruments that do not qualify for measurement at either amortised cost or at fair value through other comprehensive income;
- equity investments that are held for trading; or
- equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income.

Derivative financial instruments recognised in the Consolidated Balance Sheet were as follows:

At (in $ millions)	**31 Dec 2021 Assets**	**31 Dec 2021 Liabilities**	**31 Dec 2021 Total**	31 Dec 2020 Assets	31 Dec 2020 Liabilities	31 Dec 2020 Total
Non-current						
Forward foreign exchange contracts	**–**	**–**	**–**	–	–	–
Embedded derivatives	**23.8**	**(5.7)**	**18.1**	20.7	(19.8)	0.9
Commodity derivatives	**0.9**	**–**	**0.9**	2.2	(1.3)	0.9
Total	**24.7**	**(5.7)**	**19.0**	22.9	(21.1)	1.8
Current						
Forward foreign exchange contracts	**1.3**	**(3.9)**	**(2.6)**	1.4	(1.2)	0.2
Embedded derivatives	**19.7**	**(19.8)**	**(0.1)**	29.0	(24.4)	4.6
Commodity derivatives	**14.8**	**–**	**14.8**	1.0	(0.8)	0.2
Total	**35.8**	**(23.7)**	**12.1**	31.4	(26.4)	5.0

Contingent consideration

Contingent consideration relates to amounts payable in connection with business combinations. The amounts payable are contingent on future events and are determined based on current expectations of the achievement of specific targets and milestones.

Financial instruments measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss comprise investments in quoted securities which the Group expects to divest within 12 months of the balance sheet date. As the investments are non-strategic in nature, changes in fair value are recognised in profit or loss.

Financial instruments elected to be measured at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise investments in equity securities not held for trading, and for which the Group has made an irrevocable election, at initial recognition, to recognise changes in fair value through other comprehensive income rather than profit or loss as these investments are strategic in nature.

Management concluded that due to the nature of these investments, there are a wide range of possible fair value measurements and in some cases there may be insufficient recent information available to enable the Group to accurately measure fair value. Management reviews investments at least annually to ensure the carrying amount can be supported by expected future cash flows and has concluded that cost is considered to represent the best estimate of fair value of each investment within a range of possible outcomes. During the year ended 31 December 2021, fair value was determinable for one of the Group's equity investments and a fair value remeasurement gain of $1.2 million (2020: $5.5 million loss) was recognised within other comprehensive income.

Upon disposal or derecognition of these equity investments, any associated balance accumulated within other comprehensive income will be reclassified to retained earnings. No investments were derecognised during the year.

During the year no dividends were recognised within profit or loss in connection with the financial investments and there were no transfers of cumulative gains or losses within equity.

Financial assets measured at amortised cost

The Group classifies its financial assets at amortised cost only if both of the following criteria are met: the asset is held within a business model with the objective of collecting the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial risk management objectives

The Group monitors and manages the financial risks relating to its financial operations through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (consisting of currency risk and fair value interest rate risk), credit risk and liquidity risk. The Group seeks to minimise the effects of these risks by using a variety of financial instruments to hedge these financial risk exposures. Derivative financial instruments are used exclusively for hedging purposes and not as trading or speculative instruments.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risks, including forward foreign exchange contracts to hedge the exchange rate risk arising on future revenue, operating expenditures and capital expenditures.

In the year ended 31 December 2021, there was no significant change to the Group's exposure to market risks or the manner in which it managed and measured the risk.

Foreign currency risk

The Group conducts operations in many countries and, as a result, is exposed to foreign currency fluctuations related to revenue and expenditure in the normal course of business. The Group has in place risk management policies that seek to limit the adverse effects of fluctuations in foreign currency exchange rates on its financial performance.

The Group's reporting currency is the US Dollar. Revenue and expenses are principally denominated in the reporting currency of the Group. The Group also has significant operations denominated in British Pound Sterling and Euro as well as other cash flows in Angolan Kwanza, Australian Dollar, Brazilian Real, Canadian Dollar, Chinese Yuan, Danish Krone, Egyptian Pound, Ghanaian Cedi, Korean Won, Malaysian Ringgit, Mexican Peso, Nigerian Naira, Norwegian Krone, Saudi Arabian Riyal and Singaporean Dollar.

Foreign currency sensitivity analysis

The Group considers that its principal currency exposure is to movements in the US Dollar against other currencies. The US Dollar is the Group's reporting currency, the functional currency of many of its subsidiaries and the currency of a significant volume of the Group's cash flows.

At 31 December 2021 the Group performed a sensitivity analysis to indicate the extent to which net income/(loss) and equity would be affected by changes in the exchange rate between the US Dollar and other currencies in which the Group transacts. The analysis is based on a strengthening of the US Dollar by 10% against each of the other currencies in which the Group has significant assets and liabilities at the end of each respective period. A movement of 10% reflects a reasonably possible sensitivity when compared to historical movements over a five-year time-frame. The Group's analysis of the impact on net income/(loss) in each year is based on monetary assets and liabilities in the Consolidated Balance Sheet at the end of each respective year.

The Group's analysis of the impact on equity includes the impacts on the translation reserve in respect of intra-group balances that form part of the net investment in a foreign operation. The amounts disclosed have not been adjusted for the impact of taxation.

A 10% strengthening in the US Dollar exchange rate against other currencies in which the Group transacts would increase net foreign currency exchange gains reported in other gains and losses by $33.8 million for the year ended 31 December 2021 (2020: $29.0 million). The impact would be an increase in reported equity of $23.1 million (2020: increase of $18.2 million).

Forward foreign exchange contracts

The Group primarily enters into forward foreign exchange contracts with maturities of up to three years, to manage the risk associated with transactions with a foreign exchange exposure risk. These transactions consist of highly probable cash flow exposures relating to revenue, operating expenditure and capital expenditure.

The Group does not use derivative instruments to hedge the exposure to exchange rate fluctuations from its net investments in foreign subsidiaries.

33. FINANCIAL INSTRUMENTS CONTINUED

The following table details the external forward foreign exchange contracts outstanding:

At 31 December 2021

	Contracted amount by contract maturity				**Fair value by contract maturity**	
	Buy		**Sell**		**Maturity**	
(in $ millions)	**< 1 Year**	**1-5 Years**	**< 1 Year**	**1-5 Years**	**< 1 Year**	**1-5 Years**
British Pound Sterling	**74.8**	**–**	**123.5**	**–**	**0.5**	**–**
Danish Krone	**7.5**	**–**	**–**	**–**	**–**	**–**
Euro	**37.4**	**–**	**211.8**	**–**	**(1.1)**	**–**
Norwegian Krone	**3.8**	**–**	**88.4**	**–**	**(1.3)**	**–**
Singapore Dollar	**2.6**	**–**	**–**	**–**	**–**	**–**
Australian Dollar	**–**	**–**	**41.8**	**–**	**(0.7)**	**–**
Total	**126.1**	**–**	**465.5**	**–**	**(2.6)**	**–**

At 31 December 2020

	Contracted amount by contract maturity				Fair value by contract maturity	
	Buy		Sell		Maturity	
(in $ millions)	< 1 Year	1-5 Years	< 1 Year	1-5 Years	< 1 Year	1-5 Years
British Pound Sterling	22.4	–	1.3	–	(0.4)	–
Danish Krone	12.3	–	1.0	–	(0.1)	–
Euro	21.7	–	23.1	–	(0.2)	–
Norwegian Krone	7.0	–	10.9	–	–	–
Singapore Dollar	18.6	–	0.7	–	(0.1)	–
Australian Dollar	–	–	77.1	–	1.0	–
Total	82.0	–	114.1	–	0.2	–

Hedge accounting

At 31 December 2021 the Group had designated commodity hedges of $12.8 million (2020: $nil) as hedging instruments. The hedging reserve, included within other reserves in the Consolidated Balance Sheet, represents hedging gains recognised on the effective portion of commodity cash flow hedges. The movement in the hedging reserve was as follows:

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
At year beginning	**–**	–
Gains on the effective portion of derivative financial instruments deferred to equity:		
Cash flow on commodity hedges	**12.8**	–
Tax recognised in Other Comprehensive Income	**(2.4)**	–
At year end	**10.4**	–

The Group documents its assessment of whether the hedging instrument which is used in a hedging relationship is effective in offsetting changes in cash flows of the hedged item, on a prospective basis. The cumulative effective portion is deferred in equity within other reserves as hedging reserves in the Consolidated Balance Sheet. The resulting cumulative gains or losses will be reclassified to the Consolidated Income Statement upon the recognition of the underlying transaction or the discontinuance of a hedging relationship. Movements in respect of effective hedges are detailed in the Consolidated Statement of Changes in Equity. The gains or losses relating to the ineffective portion of cash flow hedges are recognised in the Consolidated Income Statement and the net amount for the year was $nil (2020: $nil). Hedge ineffectiveness can arise from differences in the timing of the cash flows of the hedged items and the hedging instruments, different indexes linked to the hedged risk of the hedged items and hedging instruments, counterparties' credit risk differently impacting fair value movements of the hedging instruments and hedged items or changes to the forecasted amount of cash flows of hedged items and hedging instruments. There is an economic relationship between the hedged items and the hedging instruments as the terms of the commodity forward contracts match the terms of the expected highly probable forecast transactions. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

At 31 December 2021 and at 31 December 2020 none of the Group's outstanding external forward foreign exchange contracts had been designated as hedging instruments.

Commodity hedging

The Group enters into commodity hedging to manage risk on specific exposures, swapping floating price to fixed. At 31 December 2021 the fair values of commodity trades amounted to $15.7 million within financial assets (2020: $3.2 million) and $nil within financial liabilities (2020: $2.1 million).

Embedded derivatives

The Group regularly enters into multi-currency contracts from which the cash flows may lead to embedded foreign exchange derivatives in non-financial host contracts, carried at fair value through profit or loss. Embedded foreign currency derivatives, arising from multi-currency contracts, are separated where the host contract does not qualify as a financial asset, where the transactional currency differs from the functional currencies of the involved parties and a separate instrument, with the same terms as the embedded derivative, would meet the definition of a derivative.

The fair values of the embedded derivatives at 31 December 2021 amounted to $43.5 million related to financial assets (2020: $49.7 million) and $25.5 million related to financial liabilities (2020: $44.2 million). The effects on the Consolidated Income Statement were reflected in net foreign currency gains and losses within other gains and losses.

Interest rate risk management

The Group places funds in the money markets to generate an investment return with a range of maturities (generally less than six months) ensuring a high level of liquidity and reducing the credit risk associated with the deposits. Changes in the interest rates associated with these deposits will impact the interest income generated.

Interest rate sensitivity analysis

At 31 December 2021, the Group had cash deposits and borrowings. A 1% increase in interest rates would not have a significant impact on the Group's finance cost or finance income due to the net cash position the Group held throughout the year.

The Group continues to monitor the reform of the Inter-borrowing Offering Rate (IBOR) and will actively manage the associated outcome.

Credit risk management

Credit risk refers to the risk that a customer or counterparty to a financial instrument will default on its contractual obligations and fail to make payment as obligations fall due resulting in financial loss for the Group. Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and derivative financial instruments.

The maximum exposure of the Group to credit-related loss of financial instruments is the aggregate of the carrying amount of the financial assets as summarised on page 113.

33. FINANCIAL INSTRUMENTS CONTINUED

Financial instruments and cash deposits

The Group has adopted a policy of transacting with creditworthy financial institutions as a means of mitigating the risk of financial loss from defaults. Credit ratings are supplied by independent rating agencies. The Group's exposure and the credit ratings of its counterparties are continually monitored and the aggregate value of transactions undertaken is distributed among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved on an annual basis and are monitored daily. The Group uses credit ratings as well as other publicly available financial information and its own trading records to rate its major counterparties.

The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's credit risk management practices are designed to address the risk characteristics of the key classes of financial asset. Credit exposure is controlled by counterparty limits that are reviewed and approved on an annual basis and are monitored daily. In respect of its clients and suppliers, the Group uses credit ratings as well as other publicly available financial information and its own trading records to rate its major counterparties. The assessment of the Group's exposure to credit risk includes consideration of historical and forward-looking information regarding both the financial position and performance of the counterparty and the general macro-economic environment.

Expected credit loss assessment for financial assets

Allowances are recognised as required under the IFRS 9 impairment model and continue to be carried until there are indicators that there is no reasonable expectation of recovery.

For construction contract assets and trade and other receivables which do not contain a significant financing component, the Group applies the simplified approach. This approach requires the allowance for expected credit losses to be recognised at an amount equal to lifetime expected credit losses. For other debt financial assets the Group applies the general approach to providing for expected credit losses as prescribed by IFRS 9, which permits the recognition of an allowance for the estimated expected loss resulting from default in the subsequent 12-month period. Exposure to credit loss is monitored on a continual basis and, where material, the allowance for expected credit losses is adjusted to reflect the risk of default during the lifetime of the financial asset should a significant change in credit risk be identified.

In determining expected credit losses, financial assets with the same counterparty are grouped and where appropriate expected credit losses are measured on a collective basis. In determining the level of allowance the Group uses an internal credit risk grading framework and applies judgement based on a variety of data in order to predict the likely risk of default. The Group defines default as full or partial non-payment of contractual cash flows. The determination of expected credit losses is derived from historical and forward-looking information which includes external ratings, audited financial statements and other publicly available information about customers. Determination of the level of expected credit loss incorporates a review of factors which can be indicative of default, including the nature of the counterparty (for example national oil and gas companies, international oil and gas companies or independent oil, gas and energy companies) and the individual industry sectors in which the counterparty operates.

The majority of the Group's financial assets are expected to have a low risk of default. A review of the historical occurrence of credit losses indicates that credit losses are insignificant due to the size of the Group's clients and the nature of the services provided. The outlook for the energy industry is not expected to result in a significant change in the Group's exposure to credit losses. As lifetime expected credit losses are not expected to be significant the Group has opted not to adopt the practical expedient available under IFRS 9 to utilise a provision matrix for the recognition of lifetime expected credit losses on trade receivables. Allowances are calculated on a case-by-case basis based on the credit risk applicable to individual counterparties.

Exposure to credit risk is continually monitored in order to identify financial assets which experience a significant change in credit risk. While assessing for significant changes in credit risk the Group makes use of operational simplifications permitted by IFRS 9. The Group considers a financial asset to have low credit risk if the asset has a low risk of default; the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term; and no adverse changes in economic or business conditions have been identified which in the longer term may, but will not necessarily, reduce the ability of the counterparty to fulfil its contractual cash flow obligations. Where a financial asset becomes more than 30 days past its due date additional procedures are performed to determine the reasons for non-payment in order to identify if a change in the exposure to credit risk has occurred.

Should a significant change in the exposure to credit risk be identified the allowance for expected credit losses is increased to reflect the risk of expected default in the lifetime of the financial asset. The Group continually monitors for indications that a financial asset has become credit impaired with an allowance for credit impairment recognised when the loss is incurred. Where a financial asset becomes more than 90 days past its due date additional procedures are performed to determine the reasons for non-payment in order to identify if the asset has become credit impaired.

The Group considers an asset to be credit impaired once there is evidence that a loss has been incurred. In addition to recognising an allowance for expected credit loss, the Group monitors for the occurrence of events that have a detrimental impact on the recoverability of financial assets. Evidence of credit impairment includes, but is not limited to, indications of significant financial difficulty of the counterparty, a breach of contract or failure to adhere to payment terms, bankruptcy or financial reorganisation of a counterparty or the disappearance of an active market for the financial asset.

A financial asset is only impaired when there is no reasonable expectation of recovery.

For trade receivables, the Group's current credit risk grading framework comprises the following categories:

Category	Description	Response
Performing	The counterparty has a low risk of default. No balances are aged greater than 30 days past due.	An allowance for lifetime ECLs is recognised where the impact is determined to be material.
Monitored	The counterparty has a low risk of default. Balances aged greater than 30 days past due have arisen due to ongoing commercial discussions associated with the close-out of contractual requirements and are not considered to be indicative of an increased risk of default.	The allowance for lifetime ECLs is increased where the impact is determined to be material.
In default	Balances are greater than 90 days past due with the ageing not being as a result of ongoing commercial discussions associated with the close-out of contractual commitments, or there is evidence indicating that the counterparty is in severe financial difficulty and collection of amounts due is improbable.	The asset is considered to be credit impaired and an allowance for the estimated incurred loss is recognised where material.
Written off	There is evidence that the counterparty is in severe financial difficulty and the Group has no realistic prospect of recovery of balances due.	The gross receivable and associated allowance are both derecognised.

The credit risk grades disclosed above are consistent with the information used by the Group for credit risk management purposes. Specific information regarding the counterparty together with past-due information and forward-looking information is utilised in order to determine the appropriate credit grading category. Trade receivables balances were evaluated using the grading framework as follows:

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Performing	**434.9**	467.5
Monitored	**80.4**	32.9
In default	**3.9**	23.3
Gross carrying amount	**519.2**	523.7

In addition to the credit risk grading framework for trade receivables the Group uses past-due information to assess significant increases in credit risk for all financial assets. Information related to ageing of material financial assets is included within subsequent disclosures.

Other financial assets, including amounts due from associates and joint ventures, are not subject to the Group's credit risk grading framework. The Group assesses the credit risk of these financial assets on a case-by-case basis using all relevant available historical and forward-looking information. Allowances for expected credit losses or credit impairment are recorded when required.

Trade receivables

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Gross carrying amount	**519.2**	523.7
Allowance for expected credit losses	**(2.2)**	(2.7)
Allowance for credit impairments	**(3.9)**	(23.3)
Net carrying amount	**513.1**	497.7

The table below provides an analysis of the age of trade receivables at the balance sheet date. This includes details of those trade receivables which are past due, but not impaired, and trade receivables which are individually determined to be impaired.

At 31 December 2021

(in $ millions)	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross carrying amount	435.4	18.8	36.7	28.3	519.2
Allowance for expected credit losses	(2.2)	–	–	–	(2.2)
Allowance for incurred credit impairments	(0.4)	–	–	(3.5)	(3.9)
Net carrying amount	**432.8**	**18.8**	**36.7**	**24.8**	**513.1**

33. FINANCIAL INSTRUMENTS CONTINUED

At 31 December 2020

(in $ millions)	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross carrying amount	471.3	9.9	2.9	39.6	523.7
Allowance for expected credit losses	(2.7)	–	–	–	(2.7)
Allowance for incurred credit impairments	(3.8)	–	–	(19.5)	(23.3)
Net carrying amount	464.8	9.9	2.9	20.1	497.7

The movement in the allowance for expected credit losses in respect of trade receivables during the year was as follows:

(in $ millions)	**2021 31 Dec**	2020 31 Dec
Allowance for expected credit losses		
At year beginning	**(2.7)**	(2.7)
Decrease in allowance recognised in profit or loss	**0.5**	–
At year end	**(2.2)**	(2.7)

The movement in the allowance for credit impairment in respect of trade receivables during the year was as follows:

(in $ millions)	**2021 31 Dec**	2020 31 Dec
Allowance for credit impairment		
At year beginning	**(23.3)**	(15.9)
Increase in allowance recognised in profit or loss	**–**	(14.9)
Utilisation of allowance	**4.0**	3.4
Unused amounts released during the year	**15.7**	3.0
Exchange differences	**(0.3)**	1.1
At year end	**(3.9)**	(23.3)

During the year ended 31 December 2021, the Group collected $15.7 million of trade receivables which had been credit impaired in the prior year (2020: $3.0 million).

Amounts due from associates and joint ventures

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Gross carrying amount	**43.0**	16.5
Allowance for incurred credit impairments	**(3.5)**	(3.5)
Net carrying amount	**39.5**	13.0

The table below provides an analysis of the ageing of amounts due from associates and joint ventures. This includes balances with associates and joint ventures which are past due at the end of the reporting period, but not impaired, and balances which are individually determined to be impaired at the end of the reporting period.

At 31 December 2021

(in $ millions)	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Gross carrying amount	**32.1**	**–**	**–**	**10.9**	**43.0**
Allowance for credit impairments	**–**	**–**	**–**	**(3.5)**	**(3.5)**
Net carrying amount	**32.1**	**–**	**–**	**7.4**	**39.5**

At 31 December 2020

(in $ millions)	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross carrying amount	1.7	0.2	0.9	13.7	16.5
Allowance for credit impairments	(0.1)	–	–	(3.4)	(3.5)
Net carrying amount	1.6	0.2	0.9	10.3	13.0

The movement in the allowance for credit impairments in respect of amounts due from associates and joint ventures during the year was as follows:

(in $ millions)	**2021 31 Dec**	2020 31 Dec
Allowance for credit impairments		
At year beginning	**(3.5)**	(2.2)
Increase in allowance recognised in profit or loss	**–**	(1.6)
Unused amounts reversed	**–**	0.3
At year end	**(3.5)**	(3.5)

At 31 December 2021 the allowance for expected credit losses recognised in connection with amounts due from associates and joint ventures was $nil (2020: $nil).

Other financial assets at amortised cost

An analysis of the age of other financial assets at the balance sheet date has not been provided on the grounds of materiality. Other financial assets are typically non-recurring and are monitored on an asset-by-asset basis. Ageing is not necessarily reflective of credit risk.

At 31 December 2021 the allowances for expected credit losses and credit impairment recognised in connection with other financial assets at amortised cost were $nil (2020: $nil).

Concentration of credit risk

Credit risk is primarily associated with trade receivables. Net trade receivables (Note 20 'Trade and other receivables') arise from a large number of clients, dispersed geographically. Continual credit evaluation is performed on the recoverability of trade receivables. The following table classifies outstanding balances into three categories:

	2021 31 Dec	2020 31 Dec
At	**Category percentage**	Category percentage
National energy companies	**28%**	19%
International energy companies	**19%**	34%
Independent energy companies	**53%**	47%
Total	**100%**	100%

National energy companies are either partially or fully-owned by or directly controlled by the government of their respective country of incorporation. Both international and independent energy companies are mainly publicly or privately owned. International energy companies are generally larger in size and scope than independent energy companies.

During the year ended 31 December 2021, two clients (2020: two clients) contributed individually to 10% or more of the Group's revenue. The revenue from these clients was $1,296.3 million or 26% of total Group revenue (2020: $670.0 million or 20%).

The five largest receivables balances by client are shown below:

At (in $ millions)	**31 Dec 2021**
Client A	**124.0**
Client B	**61.5**
Client C	**42.1**
Client D	**41.9**
Client E	**24.1**

At (in $ millions)	31 Dec 2020
Client A	57.1
Client B	55.2
Client C	46.1
Client D	40.7
Client E	35.5

The client mix for outstanding accounts receivable balances at 31 December 2021 is not the same as at 31 December 2020. The Group did not have any significant credit exposure to any single counterparty at 31 December 2021 or 31 December 2020.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are primarily banks with high credit ratings assigned by international credit-rating agencies. At 31 December 2021, 53% (2020: 52%) of cash was held at counterparties with a credit rating lower than 'upper-medium grade' classification.

33. FINANCIAL INSTRUMENTS CONTINUED

Liquidity risk management

The Group has a framework for the management of short, medium and long-term funding and liquidity management requirements. The Group continually monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities. Liquidity risk is managed by maintaining adequate cash and cash equivalent balances and by ensuring available borrowing facilities are in place. Included in Note 27 'Borrowings' are details of the undrawn facilities that the Group had at 31 December 2021.

Liquidity tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been prepared based on the undiscounted cash flows relating to financial liabilities based on the earliest date on which the payment can be required. Principal cash flows are as follows:

At 31 December 2021

(in $ millions)	**Less than 1 month**	**1-3 months**	**3 months to 1 year**	**1-5 years**	**Total**
Borrowings	**44.4**	**7.0**	**17.0**	**381.2**	**449.6**
Trade payables	**231.5**	**28.6**	**10.6**	**0.4**	**271.1**
Amounts due to associates and joint ventures	**8.6**	**0.5**	**–**	**–**	**9.1**
Lease liabilities	**8.5**	**16.6**	**65.2**	**158.9**	**249.2**
Total	**293.0**	**52.7**	**92.8**	**540.5**	**979.0**

At 31 December 2020

(in $ millions)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Borrowings	6.9	6.2	14.5	192.4	220.0
Trade payables	275.5	13.3	0.6	–	289.4
Amounts due to associates and joint ventures	12.0	–	–	–	12.0
Lease liabilities	6.1	12.5	62.1	189.6	270.3
Total	300.5	32.0	77.2	382.0	791.7

The following table details the Group's liquidity profile for its derivative financial instruments. The table has been prepared based on the undiscounted net cash payments and receipts on the derivative instruments that settle on a net basis and the undiscounted gross payments and receipts on those derivative financial instruments that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the balance sheet date.

At 31 December 2021

(in $ millions)	**Less than 1 month**	**1-3 months**	**3 months to 1 year**	**1-5 years**	**Total**
Net settled:					
Embedded derivatives	**–**	**5.5**	**14.3**	**5.7**	**25.5**
Gross settled:					
Foreign exchange forward contract payments	**283.3**	**157.4**	**–**	**–**	**440.7**
Foreign exchange forward contract receipts	**(280.6)**	**(156.2)**	**–**	**–**	**(436.8)**
Total	**2.7**	**6.7**	**14.3**	**5.7**	**29.4**

At 31 December 2020

(in $ millions)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Net settled:					
Embedded derivatives	–	3.0	21.4	19.8	44.2
Commodity hedging	0.3	0.1	0.4	1.3	2.1
Gross settled:					
Foreign exchange forward contract payments	72.4	8.0	2.8	–	83.2
Foreign exchange forward contract receipts	(71.7)	(7.7)	(2.6)	–	(82.0)
Total	1.0	3.4	22.0	21.1	47.5

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders of the parent company.

The capital structure of the Group consists of debt, which includes borrowings disclosed in Note 27 'Borrowings', cash and cash equivalents disclosed in Note 23 'Cash and cash equivalents' and equity attributable to shareholders of the parent company, comprising issued share capital, paid in surplus, reserves and retained earnings.

The Group monitors its capital structure using a leverage ratio of net debt to Adjusted EBITDA. The ratio calculates net debt as the principal value of borrowings and lease liabilities less cash and cash equivalents.

Reconciliation of movements in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows are classified in the Consolidated Cash Flow Statement as cash flows from financing activities.

	Liabilities		Equity			Other	Total
(in $ millions)	Borrowings	Lease liabilities	Dividends payable to shareholders	Treasury shares	Other equity		
Balance at 1 January 2021	**209.0**	**254.0**	**–**	**(17.8)**	**(6.0)**	**(6.4)**	**432.8**
Financing cash flows							
Interest paid	(5.9)	–	–	–	–	(6.2)	(12.1)
Repayment of borrowings	(24.6)	–	–	–	–	–	(24.6)
Proceeds from borrowings	200.0	–	–	–	–	–	200.0
Cost of share repurchases	–	–	–	(21.0)	–	–	(21.0)
Payments related to lease liabilities	–	(93.1)	–	–	–	–	(93.1)
Dividends paid to shareholders of the parent company	–	–	(72.0)	–	–	–	(72.0)
Total financing cash flows	**169.5**	**(93.1)**	**(72.0)**	**(21.0)**	**–**	**(6.2)**	**(22.8)**
Non-cash changes							
Dividends declared	–	–	69.5	–	–	–	69.5
Addition of borrowings	37.5	–	–	–	–	–	37.5
Addition of lease liabilities		54.8					54.8
Remeasurement of lease liabilities	–	6.7	–	–	–	–	6.7
Shares reallocated relating to share-based payments	–	–	–	5.9	(5.9)	–	–
Interest charges	5.9	6.7	–	–	–	7.5	20.1
Exchange differences	–	1.8	2.5	–	–	–	4.3
Total non-cash changes	**43.4**	**70.0**	**72.0**	**5.9**	**(5.9)**	**7.5**	**192.9**
Balance at 31 December 2021	**421.9**	**230.9**	**–**	**(32.9)**	**(11.9)**	**(5.0)**	**602.9**

33. FINANCIAL INSTRUMENTS CONTINUED

	Liabilities		Equity			Other	Total
(in $ millions)	Borrowings	Lease liabilities	Dividends payable to non-controlling interests	Treasury shares	Other equity		
Balance at 1 January 2020	**233.6**	**345.2**	**11.5**	**(14.0)**	**–**	**(4.0)**	**572.3**
Financing cash flows							
Interest paid	(6.2)	–	–	–	–	(3.2)	(9.4)
Repayment of borrowings	(24.6)	–	–	–	–	–	(24.6)
Cost of share repurchases	–	–	–	(9.8)	–	–	(9.8)
Payments related to lease liabilities	–	(103.6)	–	–	–	–	(103.6)
Dividends paid to non-controlling interests	–	–	(10.2)	–	–	–	(10.2)
Total financing cash flows	**(30.8)**	**(103.6)**	**(10.2)**	**(9.8)**	**–**	**(3.2)**	**(157.6)**
Non-cash changes							
Dividends declared	–	–	1.1	–	–	–	1.1
Disposal of lease liabilities	–	(34.5)	–	–	–	–	(34.5)
Addition of lease liabilities	–	52.4	–	–	–	–	52.4
Remeasurement of lease liabilities	–	(15.5)	–	–	–	–	(15.5)
Shares reallocated relating to share-based payments	–	–	–	6.0	(6.0)	–	–
Interest charges	6.2	19.7	–	–	–	(1.3)	24.6
Exchange differences	–	(9.7)	(0.3)	–	–	–	(10.0)
Total non-cash changes	**6.2**	**12.4**	**0.8**	**6.0**	**(6.0)**	**(1.3)**	**18.1**
Balance at 31 December 2020	**209.0**	**254.0**	**2.1**	**(17.8)**	**(6.0)**	**(8.5)**	**432.8**

Fair value hierarchy

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurement

During the year ended 31 December 2021 there were no transfers between levels of the fair value hierarchy. The Group recognises transfers between levels of the fair value hierarchy from the date of the event or change in circumstances that caused the transfer.

Assets and liabilities which are measured at fair value in the Consolidated Balance Sheet and their level of the fair value hierarchy were as follows:

At (in $ millions)	**2021 31 Dec Level 1**	**2021 31 Dec Level 2**	**2021 31 Dec Level 3**	2020 31 Dec Level 1	2020 31 Dec Level 2	2020 31 Dec Level 3
Recurring fair value measurements						
Financial assets:						
Financial assets at fair value through profit or loss – derivative instruments	**–**	**1.3**	**–**	–	1.4	–
Financial assets at fair value through profit or loss – embedded derivatives	**–**	**43.5**	**–**	–	49.7	–
Financial assets at fair value through profit or loss – commodity derivatives	**–**	**2.9**	**–**	–	3.2	–
Financial assets at fair value through other comprehensive income – commodity derivatives	**–**	**12.8**	**–**	–	–	–
Financial liabilities:						
Financial liabilities at fair value through profit or loss – derivative instruments	**–**	**(3.9)**	**–**	–	(1.2)	–
Financial liabilities at fair value through profit or loss – embedded derivatives	**–**	**(25.5)**	**–**	–	(44.2)	–
Financial liabilities at fair value through profit or loss – commodity derivatives	**–**	**–**	**–**	–	(2.1)	–
Contingent consideration[a]	**–**	**–**	**(6.6)**	–	–	(7.7)

(a) A reconciliation of contingent consideration movements during the year is shown on page 126.

33. FINANCIAL INSTRUMENTS CONTINUED

Recurring fair value measurements

Financial assets and financial liabilities

Financial assets and financial liabilities which are remeasured to fair value on a recurring basis are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and quotes for similar instruments;
- the fair value of other financial assets classified as current assets, which includes quoted securities, is determined using quoted prices;
- the fair value of contingent consideration is determined based on current expectations of the achievement of specific targets and milestones calculated using the discounted cash flow method and unobservable inputs. Quantitative information about the significant unobservable inputs used in the fair value measurement and sensitivities to changes in these unobservable inputs are as disclosed below:

(in $ millions)	Balance at 1 January 2021	Acquisition of businesses	Fair value adjustments	Exchange differences	Balance at 31 December 2021
Contingent consideration	**7.7**	**1.0**	**(2.0)**	**(0.1)**	**6.6**

- Significant inputs to the fair value of contingent consideration following a business combination include the assumed probability of the achievement of operational targets and technical milestones. A significant increase or decrease in the assumed probability of achieving these would result in a higher or lower fair value of the contingent consideration liability, while a significant increase or decrease in the discount rate would result in a higher or lower fair value of the contingent consideration liability. Gains or losses for the year were recorded in the Consolidated Income Statement as disclosed within Note 7 'Other gains and losses'; and
- the fair values of foreign exchange derivative instruments and embedded derivatives are calculated using quoted foreign exchange rates and yield curves derived from quoted interest rates matching maturities of the contract. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivative financial instruments.

Non-recurring fair value measurements

Assumptions used in determining fair value of financial assets and financial liabilities which are not remeasured to fair value on a recurring basis are as follows:

The fair value of receivables and payables is based on their carrying amounts which is representative of contractual amounts due and, where appropriate, incorporates expectations about future expected credit losses.

Other financial assets which are classified as non-current include equity investments in unlisted companies which are strategic in nature. Management concluded that due to the nature of these investments, there are a wide range of possible fair value measurements and in some cases there may be insufficient recent information available to enable the Group to accurately measure fair value. Management review investments annually to ensure the carrying amount can be supported by expected future cash flows and has concluded cost is considered to represent the best estimate of fair value of each investment within a range of possible outcomes.

34. RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel include the Board of Directors and the Executive Management Team. Key management personnel at 31 December 2021 included 13 individuals (2020: 13 individuals). The remuneration of these personnel is determined by the Compensation Committee of the Board of Directors of Subsea 7 S.A.

Non-Executive Directors

Details of fees paid to Non-Executive Directors for the year ended 31 December 2021 are set out below:

Name	Annual fee $	Member of Audit Committee $	2021 31 Dec $	2020 31 Dec $
Kristian Siem	**200,000**	**–**	**–** [(a)]	– [(a)(b)]
Dod Fraser	**105,000**	**14,000**	**119,000**	105,613
Allen Stevens	**2,877**	**–**	**2,877** [(c)]	93,188
Niels Kirk	**105,000**	**2,520**	**107,520**	98,513
Elisabeth Proust (mandate expired 14 April 2021)	**29,925**	**1,710**	**31,635**	96,911
David Mullen	**105,000**	**4,308**	**109,308**	93,188
Jean Cahuzac	**105,000**	**3,504**	**108,504**	93,188
Eldar Sætre (appointed 1 June 2021)	**61,530**	**–**	**61,530**	–
Louisa Siem (appointed 4 June 2021)	**60,690**	**–**	**60,690**	–

(a) Mr Siem's fee is included within payments to Siem Industries S.A. as detailed in 'Other related party transactions' on page 129.
(b) Non-Executive Directors' fees were temporarily reduced from April 2020 to December 2020 by 15%.
(c) Mr Stevens passed away on 10 January 2021.

Subsea 7 S.A. shares held by the Non-Executive Directors at 31 December 2021 were as follows:

Shareholdings

Name	Total owned shares
Kristian Siem[(a)]	**–**
Dod Fraser	**4,000**
Niels Kirk	**–**
David Mullen	**15,000**
Jean Cahuzac	**198,131**
Eldar Sætre	**7,000**
Louisa Siem	**–**

(a) At 31 December 2021, Siem Industries S.A. which is a company controlled through Mr Siem, owned 69,449,377 shares, representing 23.2% of total common shares of the Company.

Key management (Executive Management Team)

Payments made by the Group in relation to the Executive Management Team during the year were as follows:

For the year ended (in $ millions)	2021 31 Dec[(a)]	2020 31 Dec[(a)]
Salaries and other short-term employee benefits[(b)]	**4.5**	5.0
Share-based payments[(c)]	**0.6**	0.6
Post-employment benefits[(d)]	**0.2**	0.2
Total	**5.3**	5.8

(a) Amounts represent payments made to members of the Executive Management Team and the associated costs incurred by the Group.
(b) Salaries and other short-term employee benefits represents payments made during the year in respect of base salary, short-term bonus payments, other short-term benefits, including private healthcare and car allowances, and the associated social security contributions made by the Group.
(c) Share-based payments represents the market value of the shares transferred to the participants during the year. Shares transferred represent performance shares which vested under the 2013 and 2018 Long-term Incentive Plans and which participants are now entitled to receive. Refer to Note 35 'Share-based payments' for details of the plans.
(d) Post-employment benefits represent the cash value of defined pension contribution payments made by the Group during the year.

34. RELATED PARTY TRANSACTIONS CONTINUED

Total remuneration for the Chief Executive Officer and Chief Financial Officer during the year was as follows:

For the year ended (in $ thousands)	John Evans (Chief Executive Officer) 2021 31 Dec[(a)(b)]	2020 31 Dec[(a)(b)]	Ricardo Rosa (Chief Financial Officer) 2021 31 Dec[(a)(b)]	2020 31 Dec[(a)(b)]
Base salary	**689.0**	568.0[(c)]	**524.0**	418.0[(c)]
Short-term incentive bonus[(d)]	**481.9**	–	**219.7**	–
Taxable benefits[(e)]	**22.1**	22.1	**18.0**	17.0
Share-based payments[(f)]	**174.0**	151.0	**141.1**	119.0
Cash in lieu of pension[(g)]	**61.0**	50.0	**–**	–
Pension contributions made by employer[(h)]	**–**	–	**51.2**	19.0
Total	**1,428.0**	791.1	**954.0**	573.0

(a) Amounts in the table are shown gross before deductions of income taxes and social security costs borne by the employee.
(b) Payments are made in GBP. The amounts have been translated to USD using an average rate for the year. The amount represents the cash paid in respect of the year.
(c) Mr Evans and Mr Rosa volunteered a temporary 15% reduction to their base salaries from April 2020 to December 2020.
(d) Short-term incentive bonus in respect of performance during the year.
(e) Taxable benefits represent the taxable value of benefits provided during the year, including private healthcare insurance and car allowances.
(f) Share-based payments represents the market value of the shares transferred to the participants during the year which vested under the 2013 and 2018 Long-term Incentive Plans. The shares were transferred when the participant met the service criteria associated with the plans. Refer to Note 35 'Share-based payments' for details of the plans.
(g) Mr Evans received a cash allowance in lieu of a pension contribution.
(h) Employer pension contributions represents the cash value of defined pension contribution payments made by the Group during the year.

Performance shares outstanding and shareholdings held at 31 December 2021 were as follows:

Shares and performance shares

Name	Total performance shares[(a)]	Total owned shares
John Evans	182,215	92,481
Ricardo Rosa[(b)]	93,264	50,958
Nathalie Louys	97,518	33,073
Kate Lyne	86,747	17,694
Olivier Blaringhem	110,530	18,590
Phil Simons	105,530	9,264

(a) Total performance shares held represent the maximum future entitlement assuming all vesting conditions are met.
(b) Mr Rosa retired on 31 December 2021.

Transactions with key management personnel

During the year, the Executive Management Team were awarded the rights to 180,000 performance shares under the Group's 2018 Long-term Incentive Plan. Refer to Note 35 'Share-based payments' for details of the plan.

Transactions with associates and joint ventures

The Consolidated Balance Sheet includes:

At (in $ millions)	2021 31 Dec	2020 31 Dec
Net non-current receivables due from associates and joint ventures (Note 18)	**37.0**	5.7
Net trade receivables due from associates and joint ventures (Note 20)	**2.5**	7.3
Trade payables due to associates and joint ventures (Note 30)	**(9.1)**	(12.0)
Net receivables due from associates and joint ventures	**30.4**	1.0

During the year, the Group provided services to associates and joint ventures amounting to $1.0 million (2020: $2.2 million) and purchased goods and services from associates and joint ventures amounting to $17.6 million (2020: $26.2 million). The Group advanced a loan of $33.0 million to Eidesvik Seven AS, of which $31.2 million remained outstanding at 31 December 2021. The loan is repayable in instalments with the final amount due 31 December 2025, subject to a one-year extension option.

Other related party transactions

During the year the Group undertook related party transactions, all of which were conducted on an arm's length basis.

The Group is an associate of Siem Industries S.A. and is equity accounted for within Siem Industries S.A.'s Consolidated Financial Statements. Payments were made to Siem Industries S.A. in relation to the services provided by Mr Siem and reimbursement of other support services and costs incurred by Siem Industries S.A. totalling $0.3 million (2020: $0.5 million).

Purchases by the Group from companies ultimately controlled by Siem Industries S.A. including vessel charters, provision of crew, associated services and property rental totalling $21.4 million (2020: $17.2), were made during the year.

Revenue generated by the Group from companies ultimately controlled by Siem Industries S.A. including equipment and property rental totalling $0.5 million (2020: $0.5 million) was recognised during the year.

At 31 December 2021, the Group had outstanding balances payable to companies ultimately controlled by Siem Industries S.A. of $1.9 million (2020: less than $0.1 million).

At 31 December 2021, the Group had outstanding balances receivable from companies ultimately controlled by Siem Industries S.A. of less than $0.1 million (2020: less than $0.1 million).

35. SHARE-BASED PAYMENTS

The Group operated two equity-settled share-based payment schemes during 2021.

The following table summarises the compensation expense recognised in the Consolidated Income Statement during the year:

For the year ended (in $ millions)	**2021 31 Dec**	2020 31 Dec
Expense arising from equity-settled share-based payment transactions:		
2013 Long-term Incentive Plan	**0.6**	1.6
2018 Long-term Incentive Plan	**3.3**	2.6
Total	**3.9**	4.2

Equity-settled share-based payment schemes

2013 Long-term Incentive Plan

The 2013 Long-term Incentive Plan (2013 LTIP) was approved by the Company's shareholders at the Annual General Meeting on 28 June 2013. The 2013 LTIP had a five-year term with awards being made annually until 2017.

The 2013 LTIP provided for conditional awards of shares based upon performance conditions measured over a performance period of three years. Performance conditions were based on two measures: relative Total Shareholder Return (TSR) against a specified comparator group of companies and the level of Return on Average Invested Capital (ROAIC) achieved. Both performance conditions were determined over a three-year period.

During 2021, in accordance with the terms of the 2013 LTIP, shares totalling 225,170 (2020: 514,145) were unconditionally transferred to participants for $nil consideration.

2018 Long-term Incentive Plan

The 2018 Long-term Incentive Plan (2018 LTIP) was approved by the Company's shareholders at the Annual General Meeting on 17 April 2018. The 2018 LTIP has a five-year term with awards being made annually. The aggregate number of shares which may be granted in any calendar year is limited to 0.5% of issued and outstanding share capital on 1 January of that calendar year. The total number of shares that may be delivered pursuant to awards under the plan shall not exceed 11,500,000. Grants are determined by the Compensation Committee of the Subsea 7 S.A. Board of Directors, which is responsible for operating and administering the plan.

The 2018 LTIP is an essential component of the Group's reward strategy, and is designed to align the interests of participants with those of Subsea 7's shareholders, and enables participants to share in the success of the Group. The 2018 LTIP provides for conditional awards of shares based upon performance conditions measured over a performance period of three years.

Performance conditions are based on two measures: relative Total Shareholder Return (TSR) against a specified comparator group of companies and the level of Return on Average Invested Capital (ROAIC) achieved. Both performance conditions are determined over a three-year period.

35. SHARE-BASED PAYMENTS CONTINUED

Share awards vested in 2021

During 2021, in accordance with the terms of the 2018 LTIP, shares totalling 291,578 were transferred to participants for $nil consideration. The performance conditions for the vesting of the share awards granted in 2018 are set out below.

As a result of the partial achievement of one of the two performance metrics over the three-year performance period from 2018 – 2021, 61.2% of the total share awards granted in 2018 vested during 2021.

Metric	Percentage of share awards under each metric	Range	Result	Percentage of shares to vest under each metric	Percentage of shares to vest
TSR	65%	50% – 100%	86.6%[a]	94.1%	61.2%
ROAIC	35%	9% – 14%	(1.9%)[b]	–	–
Total	**100%**				**61.2%**

(a) Subsea 7 ranked 3rd out of the 16 companies within the selected peer group (above the median but below the 90th percentile). This resulted in 94.1% vesting for the TSR portion – 61.18% of the total award.

(b) The average over the three-year performance period was (1.9%). This resulted in 0% vesting for the ROAIC portion.

Share awards granted in 2021

During 2021, initial grants comprising 1,234,000 (2020: 1,120,000) conditional awards of shares were made under the terms of the 2018 LTIP; 802,100 awards are subject to relative TSR performance measures and 431,900 are subject to ROAIC performance measures.

TSR based awards

The Group will have to achieve a TSR ranking above the median for any awards to vest. If the ranked TSR position of Subsea 7 during the three-year period, as converted to a percentage, is equal to 50%, 20% of the share award will vest. If the actual ranked TSR position of Subsea 7 is greater than 50% and below 90%, the vesting of the share award between 20% and 65% is determined by linear interpolation. The maximum award of 65% would only vest if the Group achieved top decile TSR ranking.

ROAIC based awards

ROAIC is calculated for each of the three years of the performance period on a quarterly basis. If the average ROAIC achieved by the Group during the performance period is greater than 9% but less than 11%, vesting between 5% and 15% shall be determined by linear interpolation. If the actual ROAIC achieved by the Group during the performance period is greater than 11% but less than 14%, vesting between 15% and 35% shall be determined by linear interpolation. The maximum award of 35% would only vest if the Group achieved average ROAIC of 14% or greater during the performance period.

Under the terms of the awards LTIP participants are not entitled to receive dividend equivalent payments.

At 31 December 2021, there were approximately 100 participants in the LTIP schemes. Individual award caps are in place such that no senior executive or other employee may be granted shares under the LTIP in a single calendar year that have an aggregate fair market value in excess of 150%, in the case of senior executives, or 100%, in the case of other employees, of their annual base salary at the date of the award. Additionally, a holding requirement for senior executives applies where senior executives must hold 50% of all awards that vest until they have built up a shareholding with a fair value of 150% of their annual base salary which must be maintained throughout their tenure.

The IFRS 2 'Share-based Payments' fair value of each performance share granted under the 2013 and 2018 LTIP is estimated as of the grant date using a Monte Carlo simulation model with weighted average assumptions as follows:

For the year ended	**2021 31 Dec**	2020 31 Dec
Weighted average share price at grant date (in $)	**8.79**	8.61
TSR performance – Weighted average fair value at grant date (in $)	**4.90**	4.72
ROAIC performance – Weighted average fair value at grant date (in $)	**8.12**	7.96
Expected volatility	**55%**	54%
Risk free rate	**1.22%**	0.30%
Dividend yield	**2.00%**	2.00%

The expected share price volatility over the performance period is estimated from the Company's historical share price volatility. The award fair values were adjusted to recognise that participants are not entitled to receive dividend equivalent payments.

The non-market ROAIC performance condition is not incorporated into the grant date fair value of the ROAIC based awards. The value of each award will be adjusted at each reporting date to reflect the Group's current expectation of the number of performance shares which will vest under the non-market ROAIC performance condition.

Upon vesting, the Group will withhold an amount for an employee's tax obligation associated with a share-based payment and transfer that amount, in cash, to the relevant tax authority on the employee's behalf. In 2021, three plans vested in total, two plans vested under the LTIP 2013 scheme and a further plan vested under the 2018 scheme. The total estimated withholding tax transferred to the relevant tax authorities was $1.7 million (2020: $2.3 million). Of this total, $0.4 million was in relation to employee social security contributions and $1.3 million was in relation to income tax.

36. RETIREMENT BENEFIT OBLIGATIONS

The Group operates both defined contribution and defined benefit pension plans.

The Group's contributions under the defined contribution pension plans are determined as a percentage of individual employee's pensionable salaries. The expense relating to these plans for the year was $48.5 million (2020: $44.2 million).

Defined benefit plans

The Group operates both funded and unfunded defined benefit pension plans.

France

The defined benefit plan for France is called the *indemnités de fin de carrière* (retirement indemnity plan) and is pursuant to applicable French legislation and labour agreements in force in the industry. A lump-sum payment is made to employees upon retirement based on length of service, employment category and the employee's final salary. The obligation is unfunded and uninsured, as is standard practice in France. Since the retirement indemnity plan is based upon specific lengths of service, categories and values set by French legislation and collective agreements there is no specific trust or internal governance in place for this plan.

Norway

There are two Norwegian defined benefit pension plans which are known as the office (onshore) plan and the sailor plan.

The office (onshore) plan is a defined benefit scheme held with a life insurance company to provide pension benefits to the Group's employees. The scheme provides entitlement to benefits based on future service from the commencement date of the scheme. These benefits are principally dependent on an employee's pension qualifying period, salary at retirement age and the size of benefits from the Norwegian National Insurance Scheme. The scheme also includes entitlement to disability, spouses and children's pensions. The retirement age under the scheme is 67 years. The office (onshore) plan is closed to new members.

Effective 1 June 2021, the sailor plan, a separate tariff-rated pension scheme for offshore personnel, was terminated. The Group no longer has any obligations related to the sailor defined benefit pension plan and all assets and liabilities related to this plan were derecognised during the year ended 31 December 2021.

Under the plans, pensions are paid upon retirement based on the employee's length of service and final salary. The plans have been established in accordance with Norwegian legislation and are separately administered funds. Due to Norwegian legislation the pension scheme must provide an annual guaranteed return on investment, and consequently, the plan assets have a bias toward bonds rather than equities. While the pension company is responsible for administering the plan according to Norwegian law, the Group is obligated to have a steering committee for the plan. The steering committee considers and makes recommendations to the Group on matters relating to the plan, including but not limited to: composition of the investment portfolio, amendments to the scheme, administration and enforcement of the scheme, transfer of the scheme to another pension provider and termination of the scheme.

36. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

Changes in the defined benefit obligation and fair value of plan assets

The following table provides a reconciliation of the changes in retirement benefit obligations and in the fair value of plan assets:

	Norway		France		Total	
(in $ millions)	**2021**	2020	**2021**	2020	**2021**	2020
Defined benefit obligation						
At year beginning	**(13.5)**	(16.4)	**(12.2)**	(12.5)	**(25.7)**	(28.9)
Amounts (charged)/credited to the Consolidated Income Statement:						
Service costs	**–**	(0.2)	**(1.0)**	(1.0)	**(1.0)**	(1.2)
Past service credit	**5.7**	1.9	**1.5**	–	**7.2**	1.9
Interest costs	**(0.1)**	(0.2)	**(0.1)**	(0.1)	**(0.2)**	(0.3)
Curtailments	**–**	–	**–**	2.8	**–**	2.8
Employee taxes	**(0.1)**	–	**–**	–	**(0.1)**	–
Sub-total	**5.5**	1.5	**0.4**	1.7	**5.9**	3.2
Remeasurement gains/(losses) recognised in other comprehensive income:						
Actuarial changes arising from changes in demographic assumptions	**–**	–	**0.5**	(0.4)	**0.5**	(0.4)
Actuarial changes arising from changes in financial assumptions	**–**	–	**–**	(0.1)	**–**	(0.1)
Experience adjustments	**(0.7)**	0.8	**0.4**	0.2	**(0.3)**	1.0
Sub-total	**(0.7)**	0.8	**0.9**	(0.3)	**0.2**	0.5
Benefits paid	**0.2**	0.7	**0.2**	0.1	**0.4**	0.8
Exchange differences	**(0.1)**	(0.1)	**1.0**	(1.2)	**0.9**	(1.3)
At year end	**(8.6)**	(13.5)	**(9.7)**	(12.2)	**(18.3)**	(25.7)
Fair value of plan assets						
At year beginning	**12.2**	14.0	**–**	–	**12.2**	14.0
Amounts (charged)/credited to the Consolidated Income Statement:						
Past service credit	**(6.5)**	(1.4)	**–**	–	**(6.5)**	(1.4)
Interest income	**0.1**	0.2	**–**	–	**0.1**	0.2
Sub-total	**(6.4)**	(1.2)	**–**	–	**(6.4)**	(1.2)
Remeasurement gains/(losses) recognised in other comprehensive income:						
Return on plan assets (excluding amounts in interest income)	**0.4**	–	**–**	–	**0.4**	–
Administrative expenses	**(0.1)**	(0.2)	**–**	–	**(0.1)**	(0.2)
Sub-total	**0.3**	(0.2)	**–**	–	**0.3**	(0.2)
Employer and participant contributions	**–**	0.1	**–**	–	**–**	0.1
Benefits paid	**(0.2)**	(0.7)	**–**	–	**(0.2)**	(0.7)
Exchange differences	**0.1**	0.2	**–**	–	**0.1**	0.2
At year end	**6.0**	12.2	**–**	–	**6.0**	12.2
Net defined benefit obligation	**(2.6)**	(1.3)	**(9.7)**	(12.2)	**(12.3)**	(13.5)
Presented as:						
Retirement benefit assets	**–**	0.8	**–**	–	**–**	0.8
Retirement benefit obligations	**(2.6)**	(2.1)	**(9.7)**	(12.2)	**(12.3)**	(14.3)
Total	**(2.6)**	(1.3)	**(9.7)**	(12.2)	**(12.3)**	(13.5)

The retirement benefit assets of $nil (2020: $0.8 million) and retirement benefit obligations of $12.3 million (2020: $14.3 million) for pension schemes which are in deficit in Norway and France are recognised as non-current assets and non-current liabilities respectively within the Consolidated Balance Sheet.

Unfunded schemes

Included within the defined benefit obligation are amounts arising from unfunded French plans with a total obligation of $9.7 million (2020: $12.2 million).

Funded schemes

The Norwegian schemes are funded through a separately administered investment fund. The fair value of the Norwegian scheme assets were as follows:

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Investments quoted in active markets		
Quoted equity investments	**0.7**	1.3
Unquoted investments		
Bonds	**2.9**	6.5
Property	**1.1**	1.9
Other	**1.3**	2.5
Total	**6.0**	12.2

Future cash flows

The estimated contributions expected to be paid into the French and Norwegian plans during 2022 are $0.5 million (2021: $1.3 million).

The average remaining service periods were as follows:

At (in years)	**2021 31 Dec**	2020 31 Dec
Norway office (onshore) plan	**3.0**	6.0

Significant actuarial assumptions

The principal assumptions used to determine the present value of the defined benefit obligation were as follows:

Year ended 31 December 2021

(in %)	**Norway**	**France**
Pension increase	**0.0 – 2.25**	**–**
Discount rate	**2.5**	**0.9**
Future salary increase	**2.0**	**3.0**

Year ended 31 December 2020

(in %)	Norway	France
Pension increase	0.0 – 1.75	–
Discount rate	1.5	0.5
Future salary increase	2.0	2.0

36. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

Assumptions regarding future mortality are set based on advice in accordance with published statistics and experience. The average life expectancies in years of a pensioner retiring at the plan retirement age for participants in the Norway office (onshore) plan are shown below.

	Retirement age	Sex	**2021 31 Dec**	2020 31 Dec
Norway office (onshore) plan	67 years	Male	**23.8**	17.9
	67 years	Female	**26.1**	25.1

Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions at 31 December 2021 is shown below. The sensitivity analysis has been determined based on a method that extrapolates the impact on the net defined benefit obligation ((increase)/decrease) as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Norway – office plan

(in $ millions)	**Pension increase**		**Discount rate**		**Future salary increase**	
Sensitivity level	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on the net defined benefit obligation	**(0.2)**	**0.2**	**0.2**	**(0.2)**	**–**	**–**

France

(in $ millions)	**Discount rate**	
Sensitivity level	0.25% increase	0.25% decrease
Impact on the net defined benefit obligation	**0.3**	**(0.3)**

37. DEFERRED REVENUE

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Advances received from clients	**0.9**	2.4

Advances received from clients include amounts received before the related work is performed on day-rate contracts and amounts paid by clients in advance of work commencing on fixed-price contracts.

38. CASH FLOW FROM OPERATING ACTIVITIES

For the year ended (in $ millions)	Notes	**2021 31 Dec**	2020 31 Dec
Cash flow from operating activities:			
Income/(loss) before taxes		**100.7**	(1,071.9)
Adjustments for non-cash items:			
Impairment of goodwill	13	**–**	605.4
Amortisation of intangible assets	14	**14.7**	14.7
Impairment of intangible assets	14	**4.8**	9.2
Depreciation of property, plant and equipment	15	**341.1**	334.9
Impairment of property, plant and equipment	15	**4.1**	282.0
Amortisation of right-of-use assets	16	**78.5**	82.1
Impairment of right-of-use assets	16	**0.2**	31.9
Reversal of impairment of right-of-use assets	16	**(3.7)**	–
Amortisation of mobilisation costs	6	**9.5**	10.7
Adjustments for investing and financing items:			
Gain on recognition of assets related to business combinations – post measurement period	7	**–**	(15.5)
Share of net (income)/loss of associates and joint ventures	17	**(3.9)**	0.5
Net (gain)/loss on disposal of property, plant and equipment	7	**(3.0)**	0.2
Net gain on maturity of lease liabilities		**(0.2)**	(1.8)
Finance income	8	**(4.7)**	(4.8)
Finance costs	8	**20.1**	24.6
Adjustments for equity items:			
Share-based payments	35	**3.9**	4.2
		562.1	306.4
Changes in operating assets and liabilities:			
(Increase)/decrease in inventories		**(9.3)**	4.3
Increase in operating receivables		**(416.5)**	(88.5)
Increase in operating liabilities		**224.2**	276.3
		(201.6)	192.1
Income taxes paid		**(67.5)**	(51.7)
Net cash generated from operating activities		**293.0**	446.8

39. POST BALANCE SHEET EVENTS

Regular dividend

The Board of Directors will recommend to the shareholders at the Annual General Meeting on 12 April 2022 that a regular dividend of NOK 1.00 per share be paid, equivalent to a total dividend of approximately $33 million, marking the Board's confidence in the financial position and outlook for the Group.

Repayment of borrowings

On 18 January 2022, the Group repaid in full the amount outstanding under the Seaway 7 ASA Revolving Credit Facility of $37.0 million.

40. WHOLLY-OWNED SUBSIDIARIES

Subsea 7 S.A. had the following wholly-owned subsidiaries at 31 December 2021.

Name	Registered in	Nature of business
4Subsea AS	Norway	General Trading
4Subsea Astori AS	Norway	General Trading
4Subsea Do Brasil Projetos e Servicos de Integridade Subsea Ltda	Brazil	General Trading
4Subsea UK Limited	United Kingdom	General Trading
Acergy B.V.	Netherlands	Holding
Acergy France S.A.S.	France	General Trading
Acergy Holdings (Gibraltar) Limited[a]	Gibraltar	Special Purpose
Aquarius Solutions Inc.	Canada	General Trading
Aurora Environmental Limited	United Kingdom	General Trading
Subsea 7 Saudi Arabia Limited	Saudi Arabia	General Trading
Globestar FZE	Nigeria	General Trading
Green Light Environment Pty Limited	Australia	General Trading
Ocean Geo Solutions, Inc.	US	General Trading
Pelagic Nigeria Limited	Nigeria	Holding
Pioneer Lining Technology Limited	United Kingdom	General Trading
PT. Subsea 7 Manufaktur Indonesia	Indonesia	General Trading
Seaway Heavy Lifting Holding Limited	Cyprus	Holding
Subsea 7 Servicos Offshore S.A.	Brazil	Holding
Sevenseas Contractors S. de R.L. de C.V.	Mexico	General Trading
SHL Contracting B.V.	Netherlands	General Trading
SO France S.A.	France	Special Purpose
Subsea 7 (ME) Pte Limited	Singapore	General Trading
Subsea 7 (Singapore) Pte Limited	Singapore	General Trading
Subsea 7 (UK Service Company) Limited[a]	United Kingdom	Corporate Service
Subsea 7 (US) LLC	US	General Trading
Subsea 7 Angola S.A.S.	France	Special Purpose
Subsea 7 Asia Pacific Sdn Bhd	Malaysia	Special Purpose
Subsea 7 Australia Contracting Pty Ltd	Australia	General Trading
Subsea 7 Canada Inc.	Canada	General Trading
Subsea 7 Chartering (UK) Limited	United Kingdom	General Trading

Name	Registered in	Nature of business
Subsea 7 Blue Space Limited	United Kingdom	General Trading
Subsea 7 Blue Space Investments S.A.S.	France	General Trading
Subsea 7 Crewing Limited	United Kingdom	Special Purpose
Subsea 7 Crewing Services Pte. Ltd.	Singapore	General Trading
Subsea 7 Deep Sea Limited	United Kingdom	General Trading
Subsea 7 do Brasil Serviços Ltda	Brazil	General Trading
Subsea 7 Engineering Limited	United Kingdom	General Trading
Subsea 7 Finance (UK) PLC	United Kingdom	Special Purpose
Subsea 7 Holding Inc.	Cayman Islands	Holding
Subsea 7 Holding Norway AS	Norway	Holding
Subsea 7 Holdings (UK) Limited	United Kingdom	Holding
Subsea 7 Holdings (US) Inc.	US	Holding
Subsea 7 International Contracting Limited	United Kingdom	General Trading
Subsea 7 International Holdings (UK) Limited[(a)]	United Kingdom	Holding
Subsea 7 i-Tech Australia Pty Limited	Australia	General Trading
Subsea 7 i-Tech do Brasil Serviços Ltda	Brazil	Dormant
Subsea 7 i-Tech Limited	United Kingdom	General Trading
Subsea 7 i-Tech Mexico S. de R.L. de C.V.	Mexico	General Trading
Subsea 7 i-Tech Norway AS	Norway	General Trading
Subsea 7 i-Tech US Inc.	US	General Trading
Subsea 7 Limited	United Kingdom	General Trading
Subsea 7 Luanda Ltd	Gibraltar	General Trading
Subsea 7 Marine (US) Inc.	US	Dormant
Subsea 7 Marine LLC	US	General Trading
Subsea 7 Mexico S. de R.L. de C.V.	Mexico	General Trading
Subsea 7 Moçambique, Limitada	Mozambique	General Trading
Subsea 7 Navica AS	Norway	Vessel Owning
Subsea 7 Nigeria Limited	Nigeria	General Trading
Subsea 7 Nile Delta Limited	Egypt	General Trading
Subsea 7 Norway AS	Norway	General Trading
Subsea 7 Offshore Resources (UK) Limited	United Kingdom	Vessel Owning
Subsea 7 Pipeline Production Limited	United Kingdom	General Trading
Subsea 7 Port Isabel LLC	US	General Trading
Subsea 7 Portugal Unipessoal Limitada	Portugal	General Trading
Subsea 7 Senegal SAS	Senegal	General Trading
Subsea 7 Services (Singapore) Pte Limited	Singapore	General Trading
Subsea 7 Shipping Limited	Isle of Man	Vessel Owning
Subsea 7 Singapore Contracting Pte Limited	Singapore	General Trading
Subsea 7 Treasury (UK) Limited	United Kingdom	Special Purpose
Subsea 7 Vessel Owner AS	Norway	Vessel Owning
Subsea 7 West Africa Contracting Limited	United Kingdom	General Trading
Subsea 7 West Africa S.A.S.	France	General Trading
Swagelining Limited	United Kingdom	General Trading
Tartaruga Insurance Limited	Isle of Man	Special Purpose
Thames International Enterprise Limited	United Kingdom	Special Purpose
Xodus Academy Limited	United Kingdom	General Trading
Xodus DMCC	United Arab Emirates	General Trading
Xodus Group (Holdings) Limited	United Kingdom	Holding
Xodus Group A/S	Norway	Dormant
Xodus Group Japan	Japan	General Trading
Xodus Oil and Gas Consultants (Pty) Limited	South Africa	General Trading

40. WHOLLY-OWNED SUBSIDIARIES CONTINUED

Name	Registered in	Nature of business
Xodus Group B.V.	Netherlands	General Trading
Xodus Group Consultants Sdn. Bhd	Malaysia	General Trading
Xodus Group Inc	United States	General Trading
Xodus Group Limited	United Kingdom	General Trading
Xodus Group Pty Limited	Australia	General Trading
ZNM Nigeria Limited	Nigeria	Dormant

(a) Wholly-owned subsidiaries directly owned by the parent company, Subsea 7 S.A.

For all entities, the principal place of business is consistent with the place of registration.

All subsidiary undertakings are included in the Consolidated Financial Statements of the Group. The proportion of the voting rights in the subsidiary undertakings held directly by the immediate parent company do not differ from the proportion of shares held. The parent company does not have any shareholdings in the preference shares of subsidiary undertakings included in the Group.

Details of the addresses of the registered office of each of the wholly-owned subsidiaries are available on request from Subsea 7 S.A., registered office, 412F, route d'Esch, L-2086 Luxembourg.

ADDITIONAL INFORMATION – EBITDA

ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

Adjusted earnings before interest, taxation, depreciation and amortisation (Adjusted EBITDA) is a non-IFRS measure that represents net income before additional specific items that are considered to impact the comparison of the Group's performance either period-on-period or with other businesses. The Group defines Adjusted EBITDA as net income adjusted to exclude depreciation and amortisation costs including amortisation of prepaid mobilisation expenses and amortisation of intangible assets, impairment charges or impairment reversals, finance income, remeasurement gains and losses on business combinations, other gains and losses (including foreign exchange gains and losses, gains on disposal of subsidiaries, gains and losses resulting from remeasurement of contingent consideration, gains on distributions and bargain purchase gains on business combinations), finance costs and taxation. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenue, expressed as a percentage.

The items excluded from Adjusted EBITDA represent items which are individually or collectively material but which are not considered representative of the performance of the business during the periods presented. Other gains and losses principally relate to disposals of investments, property, plant and equipment and net foreign exchange gains or losses. Impairments of assets represent the excess of the assets' carrying amount over the amount that is expected to be recovered from their use in the future or their sale.

Adjusted EBITDA and Adjusted EBITDA margin are not recognised as a measurement of performance under IFRS as adopted by the EU. These measures exclude items that can have a significant effect on the Group's income or loss and therefore should not be considered as an alternative to, or more meaningful than, net income or loss (as determined in accordance with IFRS) as a measure of the Group's operating results or cash flows from operations (as determined in accordance with IFRS) as a measure of the Group's liquidity.

Management believes that Adjusted EBITDA and Adjusted EBITDA margin are important indicators of the operational strength and the performance of the Group. These non-IFRS measures provide management with a meaningful comparative for its business units, as they eliminate the effects of financing, depreciation, amortisation, impairments, taxation and other one-off adjustments to the Consolidated Income Statement. Management believes that the presentation of Adjusted EBITDA is also useful as it is similar to measures used by companies within Subsea 7's peer group and therefore believes it to be a helpful calculation for those evaluating companies within Subsea 7's industry. Adjusted EBITDA margin may also be a useful ratio to compare performance to its competitors and is widely used by shareholders and analysts who monitor the Group's performance. Notwithstanding the foregoing, Adjusted EBITDA and Adjusted EBITDA margin as presented by the Group may not be comparable to similarly titled measures reported by other companies.

Reconciliation of net operating income/(loss) to Adjusted EBITDA and Adjusted EBITDA margin:

For the year ended (in $ millions)	**2021 31 Dec**	2020 31 Dec
Net operating income/(loss)	**71.7**	(1,033.8)
Depreciation, amortisation and mobilisation	**443.8**	442.4
Impairment of goodwill	**–**	605.4
Impairment of intangible assets	**4.8**	9.2
Impairment of property, plant and equipment	**4.1**	282.0
Net impairment of right-of-use assets	**(3.5)**	31.9
Adjusted EBITDA	**520.9**	337.1
Revenue	**5,010.0**	3,466.4
Adjusted EBITDA %	**10.4%**	9.7%

Reconciliation of net income/(loss) to Adjusted EBITDA and Adjusted EBITDA margin:

For the year ended (in $ millions)	**2021 31 Dec**	2020 31 Dec
Net income/(loss)	**36.4**	(1,105.2)
Depreciation, amortisation and mobilisation	**443.8**	442.4
Impairment of goodwill	**–**	605.4
Impairment of intangible assets	**4.8**	9.2
Impairment of property, plant and equipment	**4.1**	282.0
Net impairment of right-of-use assets	**(3.5)**	31.9
Finance income	**(4.7)**	(4.8)
Other gains and losses	**(44.4)**	18.3
Finance costs	**20.1**	24.6
Taxation	**67.9**	33.3
Adjusted EBITDA	**520.9**	337.1
Revenue	**5,010.0**	3,466.4
Adjusted EBITDA %	**10.4%**	9.7%

SUBSEA 7 S.A. FINANCIAL STATEMENTS AND REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ FOR YEAR ENDED 31 DECEMBER 2021

412F, route d'Esch
L-2086
Luxembourg
R.C.S. Luxembourg No. B43172

	Page
Report of the Réviseur d'Entreprises Agréé	141
Balance Sheet	145
Profit and Loss Account	146
Notes to the Financial Statements	147

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

To the Shareholders of
Subsea 7 S.A.
412F, route d'Esch
L-2086 Luxembourg

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Subsea 7 S.A. (the "Company") included in page 145 to page 152, which comprise the Balance Sheet at 31 December 2021, the Profit and Loss account for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company at 31 December 2021, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU Regulation Nº 537/2014, the Law of 23 July 2016 and ISAs are further described in the "Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Company in accordance with the Code of Ethics for Professional Accountants, including the International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter:	**Impairment of investments in affiliated undertakings**
Description of key audit matter:	Subsea 7 S.A., as ultimate parent of the Group, holds shares in affiliated undertakings Acergy Holdings (Gibraltar) Limited, Subsea 7 International Holdings (UK) Limited and Subsea 7 (UK Service Company) Limited amounting to an aggregate of $1,690.3 million at 31 December 2021 as disclosed in Note 3 to the annual accounts, inclusive of a reversal of a value adjustment thereon of $17.1 million recognised during the year. As stated in Note 2 to the annual accounts, the Company performs an annual review of the carrying amounts of individual investments with any resulting impairments reflected in the profit and loss account in the relevant period. If an impairment indicator is identified, the estimated recoverable amount of the investment is prepared. The estimated recoverable amount is calculated as the higher of the value-in-use or fair value less costs to sell. The outcome of the impairment review could vary significantly if different assumptions were applied in the valuation model. The key factors are: • the future EBITDA assumptions taken from the Group's most recent budgets and plans for the next five years (the "Plan"); • the long-term growth rate used beyond the period covered by the Plan; • the pre-tax discount rate applied to future cash flows. Impairment of shares in affiliated undertakings is considered a key audit matter because of the significant judgement involved regarding the assessment of their recoverable amount.
Key audit matter:	**Impairment of investments in affiliated undertakings**
Our response:	Our audit procedures in relation to the valuation of the investments in affiliated undertakings included, among others: We assessed management's impairment testing by obtaining the supporting model and assessing the methodology and key assumptions made: • Future EBITDA forecasts – we evaluated management's EBITDA forecasts and tested the underlying values used in the calculations by comparing management's forecast to the latest management approved five-year Plan. We assessed the actual performance in the year against the prior year budgets to evaluate historical forecasting accuracy; • Long-term growth rate – we compared the rates applied by management to available externally developed rates; • Pre-tax discount rates – we involved our valuations specialists in our evaluation of the discount rate to consider the appropriateness of the rates used; and • Net assets – we agreed the net assets to the financial records of the respective companies. We compared the carrying amount of the investments to their recoverable amount in order to assess whether an impairment or reversal of previously recognised impairment exists. We assessed the adequacy and appropriateness of the disclosures in Note 2 and Note 3 of the Annual Accounts.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report on page 59 and the accompanying Corporate Governance Statement from pages 37 to 51 but does not include the financial statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and of those charged with governance for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors is also responsible for presenting the financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format, as amended ("ESEF Regulation").

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Assess whether the financial statements have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the Shareholders on 14 April 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is seven years.

The Management Report on page 59 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The accompanying Corporate Governance Statement on pages 37 to 51 is the responsibility of the Board of Directors. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the Financial statements and has been prepared in accordance with applicable legal requirements.

We have checked the compliance of the financial statements of the Company as at 31 December 2021 with relevant statutory requirements set out in the ESEF Regulation that are applicable to the financial statements. For the Company, it relates to financial statements prepared in valid xHTML format.

In our opinion, the financial statements of the Company as at 31 December 2021, identified as 222100AIF0CBCY80AH62-2021-12-31, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Olivier Lemaire
Luxembourg, 2 March 2022

SUBSEA 7 S.A. BALANCE SHEET

At ($ in millions)	Notes	2021 31 Dec	2020 31 Dec
Assets			
Fixed assets			
Financial assets			
Shares in affiliated undertakings	3	**1,690.3**	1,673.2
Current assets			
Other debtors			
becoming due and payable within one year		**–**	0.2
Investments			
Own shares	6	**29.9**	16.9
Cash at bank and in hand		**–**	–
Prepayments		**0.4**	0.2
Total assets		**1,720.6**	1,690.5
Capital, reserves and liabilities			
Capital and reserves			
Subscribed capital	4	**600.0**	600.0
Share premium account	4	**733.6**	746.6
Reserves			
Legal reserve	4, 5	**60.0**	60.0
Reserve for own shares	4, 6	**29.9**	16.9
Profit or (loss) brought forward	4	**108.8**	178.7
Profit or (loss) for the financial year	4	**16.3**	(0.3)
Total capital and reserves		**1,548.6**	1,601.9
Creditors			
Amounts owed to affiliated undertakings			
becoming due and payable within one year	7	**171.2**	88.1
Other creditors			
Tax authorities		**0.1**	0.3
Other creditors			
becoming due and payable within one year		**0.7**	0.2
Total liabilities		**172.0**	88.6
Total capital, reserves and liabilities		**1,720.6**	1,690.5

The accompanying notes on pages 147 to 152 form an integral part of the Financial Statements for Subsea 7 S.A.

SUBSEA 7 S.A. PROFIT AND LOSS ACCOUNT

For the year ended ($ in millions)	Notes	**2021 31 Dec**	2020 31 Dec
Other operating income	8	**37.4**	42.1
Raw materials and consumables and other external expenses			
Other external expenses	10	**(1.6)**	(0.9)
Staff costs			
Wages and salaries		**(0.1)**	(0.1)
Other operating expenses	11	**(21.5)**	(17.5)
Income from participating interests			
derived from affiliated undertakings	12	**–**	8.0
Other interest receivable and similar income			
derived from affiliated undertakings	13	**0.3**	0.6
Value adjustments			
in respect of financial assets and of investments held as current assets	3, 6	**9.1**	(27.8)
Interest payable and similar expenses			
concerning affiliated undertakings	7	**(4.6)**	(4.4)
other interest and similar expenses		**(2.5)**	–
Other taxes		**(0.2)**	(0.3)
Profit or (loss) for the financial year		**16.3**	(0.3)

The accompanying notes on pages 147 to 152 form an integral part of the Financial Statements for Subsea 7 S.A.

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANISATION

Subsea 7 S.A. (the Company) is a holding company which was incorporated under the laws of Luxembourg on 10 March 1993. The Company has been incorporated for an unlimited period of time. The Subsea 7 S.A. Group (the Group) consists of Subsea 7 S.A. and its affiliated undertakings at 31 December 2021.

The objects of the Company are to invest in affiliated undertakings which provide subsea construction, maintenance, inspection, survey and engineering services, predominantly for the offshore oil and gas, renewable energy, heavy lifting and related industries. More generally, the Company is authorised to participate in any manner in all commercial, industrial, financial and other enterprises of Luxembourg or foreign nationality through the acquisition by participation, subscription, purchase, option or any other means of all shares, stocks, debentures, bonds or securities; and the acquisition of patents and licences it will administer and exploit. The Company is authorised to lend or borrow with or without security, provided that any monies so borrowed may only be used for the purpose of the Company, or companies which are affiliated undertakings of, or associated with the Company; in general it is authorised to undertake any operations directly or indirectly connected with these objects.

The Company also prepares Consolidated Financial Statements in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union; these are shown on pages 68 to 138 and are also available at the registered office of the Company or on www.subsea7.com.

2. SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements were prepared in accordance with Luxembourg legal and regulatory requirements. Accounting policies and valuation rules are, besides the ones laid down by the law of 19 December 2002 as amended, determined and applied by the Board of Directors of the Company. The Company maintains its accounting records and presents its Financial Statements in US Dollars ($). Significant accounting policies are as follows:

2.1 Financial assets

Shares in affiliated undertakings are stated at cost less any accumulated impairment in value. An annual review of the carrying amount is performed on an individual investment basis with resulting impairments or reversals of impairment reflected in the Profit and Loss account in the relevant period. Earnings in investee companies are recognised when, and to the extent that, dividends are received from affiliated undertakings and participating interests.

2.2 Own shares

Own shares are initially measured at acquisition cost and recognised as an asset with a corresponding non-distributable reserve created from share premium. Own shares are subsequently remeasured at the lower of cost or market value using the FIFO (First In First Out) method. They are subject to value adjustments where their recovery is compromised. These value adjustments are reversed when the reasons for which the value adjustments were made have ceased to apply.

2.3 Translation of foreign currencies

The Company maintains its accounts in US Dollars; this is the currency in which its capital is expressed and the Financial Statements are prepared. Amounts in foreign currencies are translated into US Dollars on the following basis:

- formation expenses, the cost of acquisition of intangible, tangible and financial fixed assets denominated in a currency other than US Dollars are translated at historical exchange rates;
- all other assets denominated in a currency other than US Dollars are valued individually at the lower of their values translated into US Dollars at their historical exchange rate or exchange rate prevailing at the balance sheet date;
- all liabilities denominated in a currency other than US Dollars are valued individually at the higher of their values translated at historical exchange rate or exchange rate prevailing at the balance sheet date; and
- revenue and expenses denominated in a currency other than US Dollars are translated into US Dollars at the exchange rates applicable on the day on which they are collected or disbursed.

Only realised foreign exchange gains and losses and unrealised foreign exchange losses are recognised in the Profit and Loss account.

2.4 Share-based payments

Awards made under the Group's Long-term Incentive Plans, in the form of equity-settled share-based payments, are satisfied by the Company on behalf of its affiliated undertakings. The costs associated with these awards are recognised on the date of issuance to the employees and recorded in the Profit and Loss account as an adjustment to the value of own shares.

2.5 Parent company guarantees

The Company issues parent company guarantees (PCGs) to third parties on behalf of its direct and indirect affiliated undertakings where requested. The Company receives a fee in respect of the PCGs issued, which is recorded as other operating income within the Profit and Loss account. This income is recognised on a straight-line basis over the period of the guarantee.

2.6 Interest payable and receivable

Amounts owed to and owed by affiliated undertakings bear interest at commercial rates.

2.7 Other debtors

Other debtors are recognised initially at nominal amount. Provision for value adjustment is made when there is objective evidence that the Company may not be able to collect all of the amounts due. Bad debts are written off where necessary.

2.8 Amounts owed to affiliated undertakings and other creditors

Amounts owed to affiliated undertakings and other creditors are stated at nominal amount.

3. FINANCIAL ASSETS

($ in millions)	Shares in affiliated undertakings
Cost	
At 31 December 2020	3,386.9
At 31 December 2021	**3,386.9**
Accumulated value adjustments	
At 31 December 2020	(1,713.7)
Reversal of value adjustments for the year	17.1
At 31 December 2021	**(1,696.6)**
Carrying amount	
At 31 December 2020	1,673.2
At 31 December 2021	**1,690.3**

A review of the carrying amount of the financial assets was performed at 31 December 2021 which resulted in a reversal of value adjustments of $17.1 million being recognised in the Company's shares held in Acergy Holdings (Gibraltar) Limited (2020: $21.0 million).

Shares in affiliated undertakings

		Percentage held		Carrying amount ($ in millions)	
Name of company	Registered in	**2021**	2020	**2021**	2020
Acergy Holdings (Gibraltar) Limited	Gibraltar	**100%**	100%	**108.9**	91.8
Subsea 7 International Holdings (UK) Limited	UK	**100%**	100%	**1,501.5**	1,501.5
Subsea 7 (UK Service Company) Limited	UK	**100%**	100%	**79.9**	79.9
Total shares in affiliated undertakings				**1,690.3**	1,673.2

The capital, reserves and profit and loss of the affiliated undertakings of the Company are included within the Annual Report and Consolidated Financial Statements of Subsea 7 S.A. as shown on page 136 to page 138, and the Company has applied the exemption, in accordance with article 67.3b of the law of 19 December 2002, to not disclose this information.

4. CAPITAL AND RESERVES

($ in millions)	Subscribed capital	Share premium account	Legal reserve	Reserve for own shares	Profit or (loss) brought forward	Profit or (loss) for the financial year	Total
Balance at 1 January 2020	600.0	749.6	65.5	13.9	112.5	60.7	1,602.2
Allocation of the result	–	–	–	–	60.7	(60.7)	–
Release of legal reserve	–	–	(5.5)	–	5.5	–	–
Net movement of own shares	–	(3.0)	–	3.0	–	–	–
Loss for the financial year	–	–	–	–	–	(0.3)	(0.3)
Balance at 31 December 2020	600.0	746.6	60.0	16.9	178.7	(0.3)	1,601.9
Allocation of the result	–	–	–	–	(0.3)	0.3	–
Dividends declared	–	–	–	–	(69.6)	–	(69.6)
Net movement of own shares	–	(13.0)	–	13.0	–	–	–
Profit for the financial year	–	–	–	–	–	16.3	16.3
Balance at 31 December 2021	**600.0**	**733.6**	**60.0**	**29.9**	**108.8**	**16.3**	**1,548.6**

At 31 December 2021, the authorised share capital comprised 450,000,000 $2.00 common shares (2020: 450,000,000 $2.00 common shares) and the subscribed capital comprised 300,000,000 $2.00 common shares (2020: 300,000,000 $2.00 common shares).

A special dividend of NOK 2.00 per share was approved by the shareholders of the Company at the Annual General Meeting on 14 April 2021, which was paid from the share premium account on 7 May 2021.

During the year ended 31 December 2021, the increase in the reserve for own shares of $13.0 million reflected share repurchases at a cost of $21.0 million partly offset by reallocations relating to share-based payments of $5.9 million and a downward value adjustment of $2.1 million.

5. LEGAL RESERVE

Luxembourg law requires that 5% of the Company's unconsolidated net income is allocated to a legal reserve annually, prior to declaration of dividends. This requirement continues until the reserve is 10% of its issued share capital at nominal value, after which no further allocations are required until further issuance of shares. The legal reserve may also be satisfied by allocation of the required amount at the issuance of shares or by a transfer from share premium. The legal reserve is not distributable. The legal reserve for all issued common shares has been satisfied and appropriate allocations are made to the legal reserve account at the time of each issuance of new shares.

6. RESERVE FOR OWN SHARES

	2021 Number of shares	**2021 in $ millions**	2020 Number of shares	2020 in $ millions
At year beginning	**2,326,683**	**16.9**	1,212,860	13.9
Shares repurchased	**2,724,172**	**21.0**	1,627,968	9.8
Shares reallocated relating to share-based payments	**(516,748)**	**(5.9)**	(514,145)	(6.0)
Value adjustment in year	**–**	**(2.1)**	–	(0.8)
Balance at year end	**4,534,107**	**29.9**	2,326,683	16.9

At 31 December 2021, the Company directly held 4,534,107 (2020: 2,326,683) own shares with a total nominal value of $9.1 million (2020: $4.7 million), representing 0.91% (2020: 0.78%) of the total number of issued shares.

During the year, 2,724,172 shares were repurchased under the Company's share repurchase programme authorised on 24 July 2019, extended on 15 April 2021, at a cost of $21.0 million. At 31 December 2021, the Company had cumulatively repurchased 2,724,172 shares for a total consideration of $21.0 million under this programme.

During the year ended 31 December 2021, 516,748 (2020: 514,145) shares representing 0.17% (2020: 0.17%) of the total number of issued shares were reallocated for $nil consideration to employees of the Subsea 7 Group to satisfy share awards under the 2013 and 2018 Long-term Incentive Plans.

During the year ended 31 December 2021, the Company recognised a loss of $5.9 million (2020: $6.0 million) related to own shares used for settlement of Long-term Incentive Plans.

A review of the carrying amount of own shares was performed at 31 December 2021; this resulted in a value adjustment of $2.1 million (2020: $0.8 million) being recognised.

7. AMOUNTS OWED TO AFFILIATED UNDERTAKINGS

Becoming due and payable within one year

At ($ in millions)	**2021 31 Dec**	2020 31 Dec
Amounts owed to affiliated undertakings	**171.2**	88.1

Amounts owed to affiliated undertakings were mainly related to amounts due to Subsea 7 Treasury (UK) Limited under a short-term working capital facility. During the year ended 31 December 2021, interest costs of $4.6 million were recognised by the Company (2020: $4.4 million).

8. OTHER OPERATING INCOME

At ($ in millions)	**2021 31 Dec**	2020 31 Dec
Parent company guarantee income	**37.4**	42.1

9. COMMITMENTS AND GUARANTEES

The Company arranges bank guarantees, which collectively refer to bank guarantees, performance bonds, tendering bonds, advance payment bonds, guarantees or standby letters of credit in respect of the performance obligations certain of its affiliated undertakings have to their clients.

Facilities

The multi-currency revolving credit and guarantee facility

The Group has a $656 million multi-currency revolving credit and guarantee facility, which matures on 4 September 2023. The facility is available in a combination of guarantees, up to a limit of $200 million, and cash drawings, or in full for cash drawings. The facility is guaranteed by the Company and Subsea 7 Finance (UK) PLC, a wholly-owned subsidiary of the Group. The facility was unutilised at 31 December 2021 and 31 December 2020.

The South Korean Export Credit Agency (ECA) facility

In July 2015 the Group entered into a $357 million senior term loan facility secured on two vessels owned by the Group. The facility is provided 90% by an Export Credit Agency (ECA) and 10% by two banks and is available for general corporate purposes. The ECA tranche has a 12-year maturity and a 12-year amortising profile. The commercial tranche initially had a five-year maturity and a 15-year amortising profile, which commenced in April 2017. The commercial tranche was refinanced during November 2021, now maturing in January 2027, while retaining the original amortising profile. The facility is guaranteed by the Company and Subsea 7 Finance (UK) PLC, a wholly-owned subsidiary of the Group. At 31 December 2021, the amount outstanding under the facility was $184.9 million (2020: $209.0 million).

9. COMMITMENTS AND GUARANTEES CONTINUED

UK Export Finance (UKEF) facility

On 24 February 2021, the Group entered into a $500 million five-year amortising committed loan facility backed by a $400 million guarantee from UK Export Finance. The Group has a two-year availability period during which to draw on the facility. The facility has a five-year tenor which commences at the end of the availability period or when the facility is fully drawn, whichever is earlier. The facility can be used for general corporate purposes, including to provide working capital financing for services provided from the UK. The facility is guaranteed by the Company and Subsea 7 Finance (UK) PLC, a wholly-owned subsidiary of the Group. At 31 December 2021, the amount outstanding under the facility was $200.0 million (2020: $nil).

Seaway 7 Revolving Credit Facility

As part of the business combination to combine the Group's Renewables business unit (consisting of the Group's fixed offshore wind business) with OHT ASA (renamed Seaway 7 ASA), the Group acquired the Seaway 7 ASA Revolving Credit Facility. Further details are disclosed in Note 12 'Business combinations' to the Group's Consolidated Financial Statements. At 31 December 2021, the amount outstanding under the facility was $37.0 million, which was subsequently repaid in full during January 2022.

Utilisation of facilities

At (in $ millions)	**2021 31 Dec Utilised**	**2021 31 Dec Unutilised**	**2021 31 Dec Total**	2020 31 Dec Utilised	2020 31 Dec Unutilised	2020 31 Dec Total
Committed borrowing facilities	**421.9**	**956.0**	**1,377.9**	209.0	1,456.0	1,665.0

Other facilities

In addition to the above there are a number of uncommitted, unsecured bi-lateral guarantee arrangements in place in order to provide specific geographical coverage. The utilisation of these facilities at 31 December 2021 was $1.3 billion (2020: $1.2 billion).

Guarantee arrangements with joint ventures

During April 2021, Eidesvik Seven AS, a 50% owned joint venture between Eidesvik Offshore ASA and the Group, repaid in full a facility loan secured on the vessel, *Seven Viking.* The facility had been fully guaranteed by Subsea 7 S.A. with a 50% counter-guarantee from Eidesvik Shipping AS. The bank facility was replaced by a loan advanced to Eidesvik Seven AS by the Group; further details are disclosed in Note 34 'Related party transactions' to the Group's Consolidated Financial Statements.

10. OTHER EXTERNAL EXPENSES

For the year ended ($ in millions)	**2021 31 Dec**	2020 31 Dec
Administrative expenses	**1.5**	0.8
Statutory audit fees	**0.1**	0.1
Total	**1.6**	0.9

11. OTHER OPERATING EXPENSES

For the year ended ($ in millions)	**2021 31 Dec**	2020 31 Dec
Corporate allocation and shareholders' costs	**20.7**	16.3
Other operating expenses	**0.8**	1.2
Total	**21.5**	17.5

12. INCOME FROM PARTICIPATING INTERESTS DERIVED FROM AFFILIATED UNDERTAKINGS

No dividends were received during the year ended 31 December 2021 (2020: $8.0 million).

13. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME DERIVED FROM AFFILIATED UNDERTAKINGS

For the year ended ($ in millions)	**2021 31 Dec**	2020 31 Dec
Guarantee fee commission receivable from Eidesvik Seven AS	**0.3**	0.6

14. TAX ON PROFIT OR LOSS

For the year ended 31 December 2021 the Company was fully taxable at an effective rate of 24.94% (2020: 24.94%). After taking account of required book to tax adjustments, the Company recorded a fiscal loss for the year. No benefit has been recorded in respect of those losses due to uncertainty over their future recoverability.

15. SHARE-BASED PAYMENTS

Awards made under the Group's Long-term Incentive Plans, in the form of equity-settled share-based payments, are satisfied by the Company on behalf of its affiliated undertakings. A charge of $5.9 million (2020: $6.0 million) was recognised as adjustments in respect of investments held as current assets in relation to the settlement of shared-based compensation.

The share-based schemes operated by the Group are:

2013 Long-term Incentive Plan

The 2013 Long-term Incentive Plan (2013 LTIP) was approved by the Company's shareholders at the Annual General Meeting on 28 June 2013. The 2013 LTIP had a five-year term with awards being made annually until 2017.

The 2013 LTIP provided for conditional awards of shares based upon performance conditions measured over a performance period of three years. Performance conditions were based on two measures: relative Total Shareholder Return (TSR) against a specified comparator group of companies and the level of Return on Average Invested Capital (ROAIC) achieved. Both performance conditions were determined over a three-year period.

During 2021, in accordance with the terms of the 2013 LTIP, shares totalling 225,170 (2020: 514,145) were unconditionally transferred to participants for $nil consideration.

2018 Long-term Incentive Plan

The 2018 Long-term Incentive Plan (2018 LTIP) was approved by the Company's shareholders at the Annual General Meeting on 17 April 2018. The 2018 LTIP has a five-year term with awards being made annually. The aggregate number of shares which may be granted in any calendar year is limited to 0.5% of issued and outstanding share capital on 1 January of that calendar year. The total number of shares that may be delivered pursuant to awards under the plan shall not exceed 11,500,000. Grants are determined by the Compensation Committee of the Subsea 7 S.A. Board of Directors, which is responsible for operating and administering the plan.

The 2018 LTIP is an essential component of the Group's reward strategy, and is designed to align the interests of participants with those of Subsea 7's shareholders, and enables participants to share in the success of the Group. The 2018 LTIP provides for conditional awards of shares based upon performance conditions measured over a performance period of three years.

Performance conditions are based on two measures: relative Total Shareholder Return (TSR) against a specified comparator group of companies and the level of Return on Average Invested Capital (ROAIC) achieved. Both performance conditions are determined over a three-year period.

Share awards vested in 2021

During 2021, in accordance with the terms of the 2018 LTIP, shares totalling 291,578 were transferred to participants for $nil consideration. The performance conditions for the vesting of the share awards granted in 2018 are set out below.

As a result of the partial achievement of one of the two performance metrics over the three-year performance period from 2018 – 2021, 61.2% of the total share awards granted in 2018 vested during 2021.

Metric	Percentage of share awards under each metric	Range	Result	Percentage of shares to vest under each metric	Percentage of shares to vest
TSR	65%	50% – 100%	86.6%[(a)]	94.1%	61.2%
ROAIC	35%	9% – 14%	(1.9%)[(b)]	–	–
Total	**100%**				**61.2%**

(a) Subsea 7 ranked 3rd out of the 16 companies within the selected peer group (above the median but below the 90th percentile). This resulted in 94.1% vesting for the TSR portion – 61.18% of the total award.

(b) The average over the three-year performance period was (1.9%). This resulted in 0% vesting for the ROAIC portion.

Share awards granted in 2021

During 2021, initial grants comprising 1,234,000 (2020: 1,120,000) conditional awards of shares were made under the terms of the 2018 LTIP; 802,100 awards are subject to relative TSR performance measures and 431,900 are subject to ROAIC performance measures.

TSR based awards

The Group will have to achieve a TSR ranking above the median for any awards to vest. If the ranked TSR position of Subsea 7 during the three-year period, as converted to a percentage, is equal to 50%, 20% of the share award will vest. If the actual ranked TSR position of Subsea 7 is greater than 50% and below 90%, the vesting of the share award between 20% and 65% is determined by linear interpolation. The maximum award of 65% would only vest if the Group achieved top decile TSR ranking.

ROAIC based awards

ROAIC is calculated for each of the three years of the performance period on a quarterly basis. If the average ROAIC achieved by the Group during the performance period is greater than 9% but less than 11%, vesting between 5% and 15% shall be determined by linear interpolation. If the actual ROAIC achieved by the Group during the performance period is greater than 11% but less than 14%, vesting between 15% and 35% shall be determined by linear interpolation. The maximum award of 35% would only vest if the Group achieved average ROAIC of 14% or greater during the performance period.

Under the terms of the awards LTIP participants are not entitled to receive dividend equivalent payments.

15. SHARE-BASED PAYMENTS CONTINUED

At 31 December 2021, there were approximately 100 participants in the LTIP schemes. Individual award caps are in place such that no senior executive or other employee may be granted shares under the LTIP in a single calendar year that have an aggregate fair market value in excess of 150%, in the case of senior executives, or 100%, in the case of other employees, of their annual base salary at the date of the award. Additionally, a holding requirement for senior executives applies where senior executives must hold 50% of all awards that vest until they have built up a shareholding with a fair value of 150% of their annual base salary which must be maintained throughout their tenure.

16. STAFF

The average full-time equivalent number of employees of the Company for the year ended 31 December 2021 was one (2020: one).

17. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under the law of 19 December 2002, Article 65 which does not require the disclosure of transactions with wholly-owned members of the Group.

The Company is an associate of Siem Industries S.A. and is equity accounted for within Siem Industries S.A.'s Consolidated Financial Statements. During the year ended 31 December 2021 $0.3 million costs were recognised in relation to the services provided by Siem Industries S.A. (2020: $0.5 million).

During 2021 the Company rented office accommodation from Siem Europe Properties S.à r.l. a Company ultimately controlled by Siem Industries S.A. Total rental cost was less than $0.1 million (2020: less than $0.1 million).

In addition the Company received guarantee commission for an amount of $0.3 million (2020: $0.6 million) from Eidesvik Seven AS related to the 100% guarantee provided on the NOK 600 million ($67.6 million) loan facility by Subsea 7 International Holdings (UK) Limited.

18. BOARD OF DIRECTORS' EXPENSES

Fees paid to Directors for the year ended 31 December 2021 amounted to $0.6 million (2020: $0.6 million).

19. SUBSEQUENT EVENTS

Regular dividend

The Board of Directors will recommend to the shareholders at the Annual General Meeting on 12 April 2022 that a regular dividend of NOK 1.00 per share be paid, equivalent to a total dividend of approximately $33 million, marking the Board's confidence in the financial position and outlook for the Group.

GLOSSARY

4Subsea	4Subsea is a leading provider of technology and services that help operators optimise energy production from subsea oil and gas fields and offshore wind farms. 4Subsea is a wholly-owned autonomous subsidiary of Subsea 7.
Adjusted EBITDA	Adjusted EBITDA is defined on page 139 in the Consolidated Financial Statements.
AGM	Annual General Meeting
Backlog	Expected future revenue from in-hand projects only where an award has been formally signed. Awards to associates and joint ventures are excluded from backlog figures, unless otherwise stated.
Clean Operation	A Clean Operation is any measure beyond a normal operating practice that will save energy.
Company	Subsea 7 S.A.
Conventional	Conventional services include the fabrication, installation, extension, hook-up and refurbishment of fixed and floating platforms in shallow water.
Decommissioning	The taking out of service of production facilities at the end of their economic lives and their removal or partial removal from offshore for recycling and/or disposal onshore.
Dry-dock	A facility for the construction, maintenance and repair of vessels.
Electrically Heat-Traced Flowline (EHTF)	Subsea 7's Electrically Heat-Traced Flowline combines high performance thermal insulation (pipe-in-pipe) with an electrical heating system provided by wires laid between the insulation and the flowline's outer shell. By helping to prevent the solidification of any wax, hydrates and other components in the oil field's production stream, the heated flowline allows longer distances between satellite reserves and a host facility.
EPCI/EPIC	Engineering, procurement, construction and installation or engineering, procurement, installation and commissioning, typically on a lump sum basis.
FEED	Front-end engineering and design
FID	Final investment decision
Flex-lay	A pipelay method for installing flexible pipelines, umbilicals and risers by spooling them from a reel, carousel or basket onto the seabed.
Flowline	A pipeline carrying oil, gas or water that connects the subsea wellhead to a manifold or to surface production facilities.
Group	Subsea 7 S.A. and its subsidiaries
Heavy lift vessel	An offshore vessel or barge designed to lift objects greater than 1,000 tonnes such as offshore wind foundations and turbines.
Inner-array cables	Cables that run between the individual wind turbine foundations and substations.
Integrity management	A risk-based service supporting operators of subsea assets in the maintenance of their facilities.
IRM	Inspection, repair and maintenance of subsea infrastructure.
Jacket	A steel structure, typically comprised of an x-braced configuration between four steel legs. Jackets are one design of foundation for wind turbine generators.
Monopile foundation	A single, cylindrical, steel structure that can be used as a foundation for a wind turbine generator or offshore substation.
OneSubsea®	OneSubsea® is the subsea technologies, production and processing systems division of Schlumberger.

Performance share	Performance shares are awarded under the 2018 Long-term Incentive Plan and cover approximately 150 senior employees. These shares vest after at least three years, subject to performance conditions.
Pipe-in-pipe	A pipe-in-pipe product consists of a production pipeline being sleeved into an outer pipe with the annulus being kept dry and filled with a high-performance insulation material delivering enhanced thermal properties.
Pipeline bundle	A pipeline bundle incorporates all the structures, valve work, pipelines and control systems necessary to operate a field in one single pre-assembled product. It can offer significant value and cost savings.
PLSV	Pipelay support vessel
Reel-lay	A pipelay method consisting of the onshore construction of a pipeline which is spooled onto a large vessel-mounted reel, transported to the field and unreeled down to the seabed.
Riser/riser systems	A pipe through which oil and/or gas travels upward from the seabed to a surface production facility.
ROAIC	Return on Average Invested Capital. A key performance indicator for the Group which is used as a non-market performance measure in the 2018 Long-term Incentive Plan.
Subsea Integration Alliance	Subsea Integration Alliance is a non-incorporated strategic global alliance between Subsea 7 and OneSubsea®, the subsea technologies, production, and processing systems division of Schlumberger.
Subsea production system (SPS)	Equipment placed on the seabed that is connected to subsea pipeline networks and riser systems to produce the reservoir to a host facility.
SURF	Subsea umbilicals, risers and flowlines
Tie-back	A connection between a new satellite oil and/or gas discovery and an existing production facility. improving the economics of marginal fields into profitable assets.
Total Shareholder Return	Total Shareholder Return combines share price appreciation and dividends paid to show the total return to the shareholder expressed as an annualised percentage.
T&I	Transport and installation, typically of wind or subsea infrastructure to the offshore field location.
Umbilical	An assembly of hydraulic hoses, which can also include electrical cables or optic fibres, used to control subsea structures from an offshore platform or a floating vessel.
Variation order	An instruction by the client for a change in the scope of the work to be performed under the contract which may lead to an increase or a decrease in contract revenue based on changes in the specifications or design of an asset and changes in the duration of the contract.
VPS	Verdipapirsentralen, the Norwegian central securities depository
Xodus Group	Client-led engineering consultancy that provides engineering and advisory services to clients in the oil and gas, LNG, renewables and utilities industries worldwide. Xodus is a wholly-owned autonomous subsidiary of Subsea 7.

ADDITIONAL INFORMATION

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements made in this Report may include 'forward-looking statements'. These statements relate to our expectations, beliefs, intentions or strategies regarding the future. These statements may be identified by the use of words such as 'anticipate', 'believe', 'estimate', 'expect', 'intend', 'may', 'plan', 'project', 'should', 'will', 'seek', and similar expressions.

The forward-looking statements that we make reflect our current views and assumptions with respect to future events and are subject to risks and uncertainties. Actual and future results and trends could differ materially from those set forth in such statements due to various factors, including those discussed in this Report under 'Risk Management', 'Financial Review' and the quantitative and qualitative information disclosures about market risk contained in Note 33 'Financial instruments' to the Consolidated Financial Statements.

The following factors are among those that may cause actual and future results and trends to differ materially from our forward-looking statements: (i) our ability to deliver fixed-price projects in accordance with client expectations and within the parameters of our bids, and to avoid cost overruns; (ii) our ability to collect receivables, negotiate variation orders and collect the related revenue; (iii) our ability to recover costs on significant projects; (iv) capital expenditure by oil and gas, and renewables companies, which is affected by factors including but not limited to fluctuations in the price of, and demand for, crude oil, natural gas and renewable energy; (v) unanticipated delays or cancellation of projects included in our backlog; (vi) competition and price fluctuations in the markets and businesses in which we operate; (vii) the loss of, or deterioration in our relationship with, any significant clients; (viii) the outcome of legal proceedings or governmental enquiries; (ix) uncertainties inherent in operating internationally, including economic, political and social instability, boycotts or embargoes, labour unrest, changes in foreign governmental regulations, corruption and currency fluctuations; (x) the effects of a pandemic or epidemic or a natural disaster; (xi) liability to third parties for the failure of our joint venture partners to fulfil their obligations; (xii) changes in, or our failure to comply with, applicable laws and regulations (including regulatory measures addressing climate change); (xiii) operating hazards, including spills, environmental damage, personal or property damage and business interruptions caused by adverse weather; (xiv) equipment or mechanical failures, which could increase costs, impair revenue and result in penalties for failure to meet project completion requirements; (xv) the timely delivery of vessels on order and the timely completion of ship conversion programmes; (xvi) our ability to keep pace with technological changes and the impact of potential information technology, cyber security or data security breaches; and (xvii) the effectiveness of our disclosure controls and procedures and internal control over financial reporting.

Many of these factors are beyond our ability to control or predict. Given these uncertainties, you should not place undue reliance on the forward-looking statements. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Investor relations

Shareholders, equity analysts, portfolio managers and representatives of financial institutions may contact:

Email: ir@subsea7.com
Telephone: +44 20 8210 5568

Press enquiries

Representatives of the press may contact:

Email: subsea7corporate.communications@subsea7.com

Financial information

Copies of stock exchange announcements, including the Group's quarterly and semi-annual results announcements and the Group's Annual Report and Consolidated Financial Statements, are available on the Group's website www.subsea7.com.

Any shareholder requiring a printed copy of the Group's Annual Report and Consolidated Financial Statements or the Company's Financial Statements can request these via the website www.subsea7.com.

Stock listings

Common shares – Traded on the Oslo stock exchange under the symbol SUBC – www.oslobors.no.
ISIN: LU0075646355
LEI: 222100AIF0CBCY80AH62

Registrar – Common Shares

Registrar for the shares of Subsea 7 S.A., recorded in the Norwegian Central Securities Depository (Verdipapirsentralen – the 'VPS').

DNB Bank ASA
Postboks 1600 Sentrum
0021 Oslo, Norway
Telephone: +47 23 26 80 16
Email: sten.sundby@dnb.no

Depositary Bank – ADRs

Subsea 7 S.A. has a sponsored Level 1 ADR facility, for which Deutsche Bank Trust Company Americas acts as depositary. Each ADR represents one common share of the Company. The ADRs are quoted over-the-counter ('OTC') in the US under the ticker symbol SUBCY.

For enquiries, beneficial ADR holders may contact the broker service of Deutsche Bank Trust Company Americas.

American Stock Transfer & Trust Company LLC
6201 15th Avenue Brooklyn,
NY 11219 US
Toll free: +1 866 249 2593 (toll free for US residents only)
Direct dial: +1 718 921 8137
Email: db@astfinancial.com

Further information is also available at: www.adr.db.com.

Financial calendar

Subsea 7 S.A. intends to publish its quarterly financial results for 2022 on the following dates:

Q1 2022 Results	28 April 2022
Q2 and H1 2022 Results	28 July 2022
Q3 2022 Results	17 November 2022
Q4 and FY 2022 Results	2 March 2023

2022 Annual General Meeting and Extraordinary General Meeting

12 April 2022 at 15.00 CET
412F, route d'Esch
L-2086 Luxembourg

Registered office
412F, route d'Esch
L-2086 Luxembourg

Website

www.subsea7.com

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subsea 7

Subsea 7 is a global leader in the delivery of offshore projects and services for the evolving energy industry, creating sustainable value by being the industry's partner and employer of choice in delivering the efficient offshore solutions the world needs.

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ISIN LU0075646355, LEI 222100AIF0CBCY80AH62.
Registered office: 412F Route d'Esch, L-2086 Luxembourg

www.subsea7.com