## Chairman's Statement

# Powering the energy transition

**Kristian Siem** Chairman

### Financial performance

**2023 Net income**

**$10m**

**2022:** $36m

**2023 Net debt**

**$552m**

**2022:** $33m net cash

### Safety performance

**2023 Lost-time injury (LTI) frequency**

**0.03**

per 200,000 hours worked

### To the shareholders of Subsea 7 S.A.

In 2023, the Group delivered solid operational and financial results as the upcycles in our industries gathered pace. Revenue increased 16% to $6.0 billion, and Adjusted EBITDA was $714 million, resulting in an EBITDA margin of 12%. Diluted earnings per share were $0.05, down from $0.19 in 2022. Order intake increased 5% year-on-year to $7.4 billion, a book-to-bill of 1.2 times, resulting in continued growth of the backlog to $10.6 billion – the highest backlog since 2013.

### At the heart of offshore energy decarbonisation

Against a backdrop of heightened geopolitical uncertainty and conflict, the world continues to grapple with the so-called energy trilemma: addressing the need for secure and affordable energy, while simultaneously working to decarbonise our energy sources. In 2023, this challenge was compounded by high inflation and rising interest rates – representing significant headwinds to the economics of offshore renewable energy developments. Industries across the globe, including our own, must continue to tackle the challenge and seize opportunities to deliver a diverse range of innovative solutions that, together, can help decarbonise our economies.

Subsea7's focus on subsea oil and gas, carbon capture, offshore wind, and new energies places the Group at the heart of the energy transition.

### Industry dynamics suggest a prolonged upcycle

Subsea7 experienced a recovery in demand for both its traditional and renewable energy businesses in 2023, supported by the continued drive of major economies for energy security and decarbonisation. The Group is well placed to benefit from strong demand for our services, which is expected to be sustained over several years. The upward trajectory of demand is moderated by the capital discipline of our clients, but this is mirrored on the supply side – by Subsea7 and its peers – with limited additions to the global fleet due to the increased cost of newbuild vessels and internal capital discipline.

A return to acceptable profitability within both the subsea and renewables sectors is necessary to allow our industry and its supply chain to earn a fair return on its invested capital, ensuring the delivery of the energy developments that the world needs. Subsea7 has invested $5 billion in its assets over the last 12 years and its modern, efficient fleet of subsea and wind vessels positions it as a market leader in both industries. In 2023, the Group's return on average invested capital (ROAIC) was just 1%, and remains significantly below its cost of capital. However, the foundations for improvement are firmly in place with an improved risk/reward profile embedded in our backlog. Through more favourable new contract awards and a commitment to capital discipline, we are well placed to deliver improved returns and strong growth in cash flow in the coming years.

Looking back on 2023, I am satisfied with the achievements and progress made to advance the Group's strategies. We completed the turnaround of Seaway7, and the business is now well positioned and profitable. Subsea Integration Alliance is firmly established, and our investment in OneSubsea has cemented our long-term relationship with our partners SLB and Aker Solutions. Our collaborative approach to project planning and execution is gaining further momentum with clients and, above all, our operations were executed safely.

### Continued progress in sustainability

Over recent years, Subsea7's journey into renewable energy has seen significant progress. We have built up a substantial offshore wind business, that has supported development of a total of 11.9GW of renewable energy to our clients, enough to power over 14 million European homes. In parallel we remain focused on the sustainability of our activities – including our progress towards Net Zero – and the development of our environmental, social and governance (ESG) reporting.

During 2023 we prepared for the EU's Corporate Sustainability Reporting Directive, a significant undertaking requiring challenging data collection and auditing, but one that should improve the comparability of Subsea7 against our peers and allow us to demonstrate our progress in the coming years.

As part of this we concluded an update to the double materiality assessment that underpins our strategy. The assessment demonstrated a high level of convergence with the sustainability areas we have been focusing on since 2019.

### Return $1 billion through dividend and share repurchases

Reflecting its confidence in the outlook and the expected financial performance of Subsea7, the Board of Directors proposes that the Company returns at least $1 billion to shareholders over four years, from 2024 to 2027. This extends Subsea7's track record of shareholder returns to $3 billion since 2011, and underscores the commitment of the Board to strong capital stewardship.

At the Annual General Meeting on 2 May 2024, the Board of Directors will propose that shareholders approve a cash dividend of NOK 6.00 per share, equating to approximately $170 million, payable in two equal instalments in May and November 2024. The Company's dividend policy will be revised to reflect an increase in the regular dividend to NOK 6.00 from NOK 1.00 per share to be paid in two equal instalments.

The Company has also committed to repurchase approximately $80 million of its own shares in 2024, resulting in shareholder returns of approximately $250 million.

### My thanks

The success of Subsea7 is the product of the collective drive and good work of nearly 15,000 individuals, in collaboration with our clients and suppliers. It is testament to the strong, positive culture within our organisation that we have been able to grow our headcount rapidly this year, while continuing to deliver a solid performance, not just financially but also operationally. Only with a relentless focus on safety can we deliver large and complex projects in challenging conditions, while accumulating millions of manhours free of lost-time injuries. My thanks to everyone within the Subsea7 family and across our stakeholder groups for making this possible.

**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.

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

**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.

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

**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.

**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.

Chief Executive Officer's Review

# Delivering a strong operational and financial performance

**John Evans** Chief Executive Officer

**Financial performance**

**2023 Backlog**

**$10.6bn**

**2022:** $9.0bn

**2023 Revenue**

**$6.0bn**

**2022:** $5.1bn

**2023 Adjusted EBITDA**

**$714m**

**2022:** $559m

**2023 Net income**

**$10m**

**2022:** $36m

**Our Subsea and Conventional business delivered strong, quality backlog growth that should underpin increasing cash flow in the years ahead.**

**In our Renewables business, profitability has recovered and our backlog of work supports high activity through 2024 and 2025.**

## Solid financial results in 2023

Group revenue increased 16% year-on-year to $6.0 billion, driven by growth in Subsea and Conventional, partially offset by a decline in Renewables.

Revenue in Subsea and Conventional increased 26% year-on-year, driven by high activity in Norway, Türkiye and Brazil and our Adjusted EBITDA margin was 12%. Over the course of the year, our portfolio of projects began a gradual shift from those won in weaker market conditions to more recent awards with improved pricing and cash flow profile.

Revenue in Renewables fell 14% year-on-year, driven by the phasing of major projects in the UK and as a consequence of greater selectivity in tendering new work. However, as a result, the Renewables margin recovered to 11% through a stronger focus on execution combined with improved contractual risk allocation.

Overall, the Group's Adjusted EBITDA increased 28% to $714 million, a margin of 12%.

2023 was a year of reinvestment in the business, with capital expenditure of $581 million, mainly relating to newbuild fixed offshore wind vessels, and the first of two $153 million payments for our 10% stake in the OneSubsea joint venture with SLB and Aker Solutions. At year end, net debt was $552 million (comprising net financial debt of $94 million and lease liabilities of $458 million), which is expected to materially reduce in the near term.

Tendering activity continued at high levels in 2023, with order intake of $7.4 billion, equivalent to a book-to-bill of 1.2 times, including the award of Mero 4, Sakarya 2a, Agogo and East Anglia THREE. At the year end, our teams were actively tendering projects worth around $30 billion, a dramatic recovery from the $15 billion in preparation in 2020, further supporting confidence in the upcycle for both subsea oil and gas and fixed offshore wind.

## Reinforcing our market-leading position in subsea through collaborations and partnerships

2023 was an important year for our subsea business as we extended several key relationships and established new alliances.

During the year, the OneSubsea joint venture between Subsea7, SLB and Aker Solutions was completed and, simultaneously, Subsea Integration Alliance between Subsea7 and OneSubsea was extended to 2033. The joint venture and the Alliance leverage our combined market-leading assets, services and technologies to reinforce our ability to deliver greater efficiencies to clients, enabling them to unlock subsea reserves.

The benefits of Subsea Integration Alliance were showcased this year in Türkiye where, in close collaboration with Türkiye Petrolleri Anonim Ortaklığı (TPAO) and our partners, we completed the first phase of the Sakarya gas development. This fast-track project delivered first gas just 30 months after the discovery of the field and is testament to what can be achieved when we adopt an integrated approach and work in close collaboration with our client. The subsequent award of the second phase of Sakarya was the ultimate endorsement of this accomplishment.

During the year, Subsea Integration Alliance signed a memorandum of understanding with bp regarding integrated subsea developments, working in a collaboration that will create value for bp, Subsea7 and OneSubsea through enhanced visibility and optimised delivery. Subsea Integration Alliance will work with bp from concept selection and through the full field lifecycle, to deliver enhanced subsea project performance, based on new ways of working and an innovative commercial model.

2023 also marked the start of the delivery of our next portfolio of projects for Aker BP in Norway. Subsea7 has partnered with Aker BP for a decade and has worked in a fully collaborative alliance incorporating Aker Solutions (now part of OneSubsea) to deliver subsea projects. During this time Subsea7 supported Aker BP in growing its production from 4 to 450 thousand barrels per day.

Collaborations and partnerships are a cornerstone of our strategy. As the energy landscape evolves, we will leverage Subsea7's market-leading position and strong relationships along the value chain as we continue to adapt to grow, delivering value creation for our shareholders.

## Driving the energy transition with carbon capture and offshore wind

2023 was a year of change for our fixed offshore wind business. At the beginning of the year we completed the acquisition of minority interests in Seaway7, simplifying its ownership and funding structure, and streamlining its strategic decision-making processes. Despite the many challenges faced by the wind industry during the year, Seaway7 was successful in rebalancing the risk/reward profile of its backlog, returning to a stable, improved level of profitability while also securing several key new awards including the inner-array cable-lay scope for Iberdrola's 1.4GW East Anglia THREE development.

The delivery of newbuilds *Seaway Alfa Lift* and (in early 2024) *Seaway Ventus* has increased our renewables fleet to 13 vessels, which includes cable-lay and heavy-lift vessels capable of installing some of the largest wind developments in the market. These vessels support our expectations for the growth of the fixed offshore wind business in the coming years.

During the year, Subsea7 continued to pursue other new energy markets including floating wind and carbon capture. We delivered the initial offshore pipelay campaign of the Northern Lights development in Norway, part of the world's first full-scale carbon capture project named Longship. Over its lifetime, this initial phase will enable the transportation of 128 million tonnes of $CO_2$ to a storage field in the North Sea, demonstrating the strategic importance of carbon capture as part of the energy transition. This market offers Subsea7 – on both a standalone basis and through Subsea Integration Alliance – a new avenue of growth utilising existing subsea assets and engineering expertise.

## Foundations in place for strong cash flow generation

Supported by a high backlog of quality projects, we anticipate that 2024 Adjusted EBITDA will be within a range of $950 million to $1.0 billion, while we expect capital expenditure to reduce significantly. We therefore anticipate a sharp increase in free cash flow in 2024.

Longer term, we see sustained capital expenditure by clients in the subsea market. A positive outlook

for demand, combined with stability in the competitive landscape, should ensure we generate an appropriate return on the substantial capital already invested in our subsea fleet.

In fixed offshore wind, despite the recent uncertainty in the regulatory and fiscal environments in the UK and US markets, demand for our services is strong, including in the Netherlands, Germany and Poland, and we expect a recovery in UK awards during 2024. With a focus on balancing risk and returns, we believe our offshore wind business will deliver sustainable value creation for shareholders.

Overall, through strong positions in subsea oil and gas, as well as offshore wind, Subsea7 is well placed to deliver the energy the world needs for today and tomorrow.

**John Evans**
Chief Executive Officer

## Our Business Model

# Full service across the field lifecycle

**Subsea7 provides project management, engineering and construction expertise across the full field lifecycle. These services are delivered to clients across the energy landscape: in oil and gas, offshore wind and emerging energies.**

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

### Design
Robust front-end engineering and design (FEED) ensures minimal change and accurate forecasting during design.

### Engineer
Detailed engineering by experienced personnel delivers the best solution.

### Procure and Fabricate
Efficient procurement and high-quality fabrication optimise costs.

### Install and Commission
World-class vessels enable safe, on-schedule and cost-efficient installation.

### Maintain
Effective and responsive maintenance reduces the cost of ownership.

### Extend
New technologies extend the life of the field development and maximise return on investment.

### Decommission
Facilitation of abandonment, decommissioning and reuse of infrastructure.

## What we do

| Concept | Design | Engineer | Procure and Fabricate |
|---|---|---|---|
| Whether in oil and gas, wind or emerging energies, being involved at the earliest stage of development enables us to deliver maximum value. The concept stage is key to optimising costs and emissions during development and in the later lifecycle stages. | We advance the conceptual development through our FEED services to ensure the right solution is selected to fully optimise the development. | Engineering is at the core of what we do. Detailed engineering involves taking the initial solutions developed in the concept and FEED stages and refining these for execution. For certain wind projects, our engineering teams also support clients in their bids for offshore licences. | Our teams are able to execute large EPCI projects in all our business units and in all geographies.<br><br>The scale and global reach of our supply chain management differentiates us. |

| Install and Commission | Maintain | Extend | Decommission |
|---|---|---|---|
| We install and commission subsea infrastructure for hydrocarbon and renewable energy developments in all water depths. We install turbines, foundations and inner-array cables for fixed and floating wind farms. | We specialise in maintaining offshore infrastructure through use of our dedicated fleet and technologies. Our digital products and services help optimise maintenance and reduce downtime and unplanned outages. | 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. | We have the capacity to decommission large-scale infrastructure in both oil and gas and wind markets. We can manage all aspects including regulation, technology, environment, planning, execution and costs. |

## How we add value

| Concept | Design | Engineer | Procure and Fabricate |
|---|---|---|---|
| We incorporate new technologies and standardisation into the design process to lower the total cost of development and optimise emissions. Our carbon estimator tool is used in all our significant tenders. | We work with our alliance and client partners to optimise solutions, align schedules and accurately forecast full lifecycle costs.<br><br>The earlier our involvement, the more value we can add through optimised design. | 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. | We have a clear understanding of the risks and opportunities that exist when working with a large, global supply chain network. We have strong, collaborative relationships with our suppliers. |

| Install and Commission | Maintain | Extend | Decommission |
|---|---|---|---|
| Our fleet of modern, high-specification vessels allows us to install market-leading solutions. Our experts have the experience to deliver these solutions safely and efficiently. | We incorporate our maintenance knowledge and digital monitoring into the design of the field, lowering the total cost of ownership for our clients. | 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. | We draw on our skills in engineering and project management, as well as our enabling vessels, to decommission fields, with high standards of safety and sustainability as a priority. |

## Creating better outcomes for our stakeholders

### Our clients
We work collaboratively with our clients to make possible the energy transition. We offer cost effective solutions and explore carbon reduction opportunities through our technology, assets and strategic partnerships. We insist on high standards in safe and responsible operations.

**100**

clients supported by Subsea7 in 2023

### Our shareholders
Our strategy aims to create resilient value for shareholders. We are committed to strong capital stewardship and corporate governance. Transparent reporting enables our shareholders to measure our performance, and through investor events we aim to communicate our strategy and listen to feedback.

**>200**

meetings with investment firms in 2023

### Our people
Our people are the foundation of our business and their health, safety and wellbeing are our top priority. We invest in our people, giving them opportunities to learn and grow. Creating, maintaining and promoting an inclusive work environment is vital for our employees to thrive.

**>7,000**

attendees at our Festival of Learning in 2023

### Society
With a well-established international presence, we take care to understand and respect local customs and sensitivities. Through close relationships with local stakeholders, we create opportunities that foster sustainable energy development for all. We aim to minimise the impact of our operations on ecosystems.

**91%**

onshore waste recycled

Our Markets

# Understanding our operating environment

## The oil and gas market

Commodity prices remained volatile during 2023 as the market reflected inflation data, expectations for future interest rates, and the implications for economic growth. The Brent oil price ended the year down 10% at $77 per barrel, having spent much of the year between $75 and $85 per barrel, supported by a commitment to production quotas by OPEC+. In April, OPEC+ announced a 1.7 Mbpd production cut, with an additional 1 Mbpd voluntary cut by Saudi Arabia from May. The conflict that began in October between Israel and Hamas increased geopolitical tension in the Middle East and raised security concerns for the Strait of Hormuz. The situation escalated in early 2024, but with little direct impact on commodity shipments and prices.

European gas prices normalised during 2023, despite the continued absence of volumes from Russia through the Nord Stream 1 pipeline, as industrial and power generation demand fell while LNG imports reached record highs and storage capacity neared full utilisation. Having spiked at €330 per megawatt hour (MWh) in 2022, the TTF gas price returned to a more normal range between €23 and €36/MWh in 2023.

While the market prices for oil and gas fluctuate, our clients continue to base their investment decisions on long-term planning assumptions that remain supportive. In addition, the strategic impetus behind gas – including the need to back-fill existing LNG capacity with new production – remained robust given the importance of natural gas to energy security, as well as the energy transition.

Against this positive backdrop, the market for our deepwater subsea services strengthened throughout the year as the recovery from the industry nadir in 2020 continued.

The message from many major oil companies remained one of capital discipline but, after years of under-investment, tendering activity for new subsea developments was high. Continued strength in the core deepwater regions of Brazil and the Gulf of Mexico was boosted by increased activity in West Africa and the Guianas. Overall, order intake in 2023 increased for a third consecutive year and the three Tier 1 players ended the year with a combined subsea backlog of approximately $40 billion, a decade high. At the same time, and reflecting the capital discipline of the subsea contractors as well as the retirement of some older vessels, the global fleet of deepwater pipelay vessels is smaller than in 2014, supporting the improved contracting dynamic for Subsea7 and its peers.

As a source of reliable energy, the hydrocarbon industry is likely to remain a key contributor to global production under all probable energy transition scenarios. Achieving this output will require significant ongoing investment given the depletive nature of the resource. Deepwater reserves typically have low economic breakevens, making these among the most attractive development options within global oil and gas. In addition, deepwater fields can represent a less carbon-intensive means of extracting oil and gas due to the large size of hydrocarbon reservoirs and developments resulting in economies of scale that minimise the carbon footprint of extraction when measured per barrel. (This excludes the carbon emissions associated with end-user combustion.) As such, Rystad expects the global deepwater subsea market to grow from $16 billion in 2023 to $24 billion in 2027, equating to a compound annual growth rate of 6%. Against this backdrop we anticipate continued robust demand for Subsea7's subsea services, alongside increasing demand to offset the emissions footprint of our clients' developments, including through carbon capture and electrification.

## The fixed offshore wind market

In 2023, while new offshore wind licences were awarded to developers in countries such as Germany (where financial close was reached on a record 12.3GW of new capacity), the market faltered in two of the largest markets, the UK and the US. Here, projects were cancelled or delayed due to increased supply chain and financing costs, insufficient government support and challenging offtake pricing levels. The UK government received no bids from developers for the 2023 contract for difference allocation round and, in the US, developers cancelled several projects that had become uneconomic. Despite the impact of inflation, the levelised cost of electricity for offshore wind of around $74/MWh compares favourably with gas and nuclear, making it both clean and affordable with the appropriate governmental support.

Global ambitions for increased renewables capacity remain high, driven by both societal demand to address climate change as well as national and regional strategies to ensure affordable, diverse and secure sources of energy. Project delays and cancellations therefore put many countries under pressure and prompted a swift response, with positive indications for 2024. In November, the UK announced a 66% increase in the maximum strike price for the 2024 fixed offshore wind allocation round, from £44/MWh to £73/MWh, and new, more favourable agreements were announced in the US.

Overall, the growth trajectory for the offshore wind market may not be smooth, but the long-term outlook is positive. By 2035, a global (ex-China) installed offshore wind capacity approaching 290GW is forecast, approximately 12 times the 25GW capacity installed by the end of 2020. Even viewed through a more conservative lens, the long-term demand outlook for offshore wind field development services significantly outweighs the current fleet capacity of the industry, and the market dynamics are expected to remain in favour of Subsea7 and its peers.

Risk management remains central to profitability in the wind market, and a selective tendering approach is required, focused on known clients, early engagement, specific scopes and acceptable risk profiles, to ensure a full understanding of technical, supply chain and operating risks.

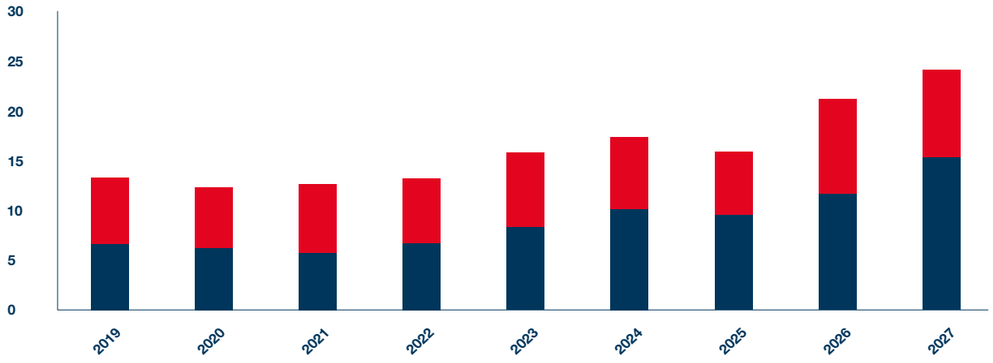
## Emerging energy markets

The carbon capture and storage (CCS) industry is likely to play an important role in reducing the impact of carbon emissions, especially in hard-to-abate sectors. Rystad estimates that the amount of $CO_2$ captured per year globally will exceed 500 million tonnes by 2030, up from 40 million tonnes in 2022. While the precise size of the CCS market for Subsea7 remains unclear, it represents an incremental opportunity to utilise our existing subsea vessels.

The market for floating wind remains nascent, with most activity focused on pilot, non-commercial developments. In the long term, offshore hydrogen could become a significant market, and we are in the process of defining the size of the opportunity.

**Subsea spending (actuals and forecasts)**

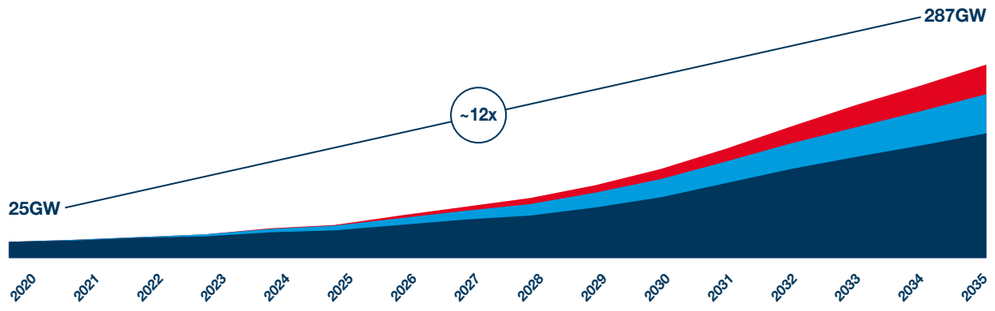
($bn, capex and opex)




Source: Rystad Energy ServiceCube, February 2024

**Global fixed offshore wind market**

Cumulative installations (GW)




Source: BNEF December 2023, Seaway7

Our Strategy

# Our world

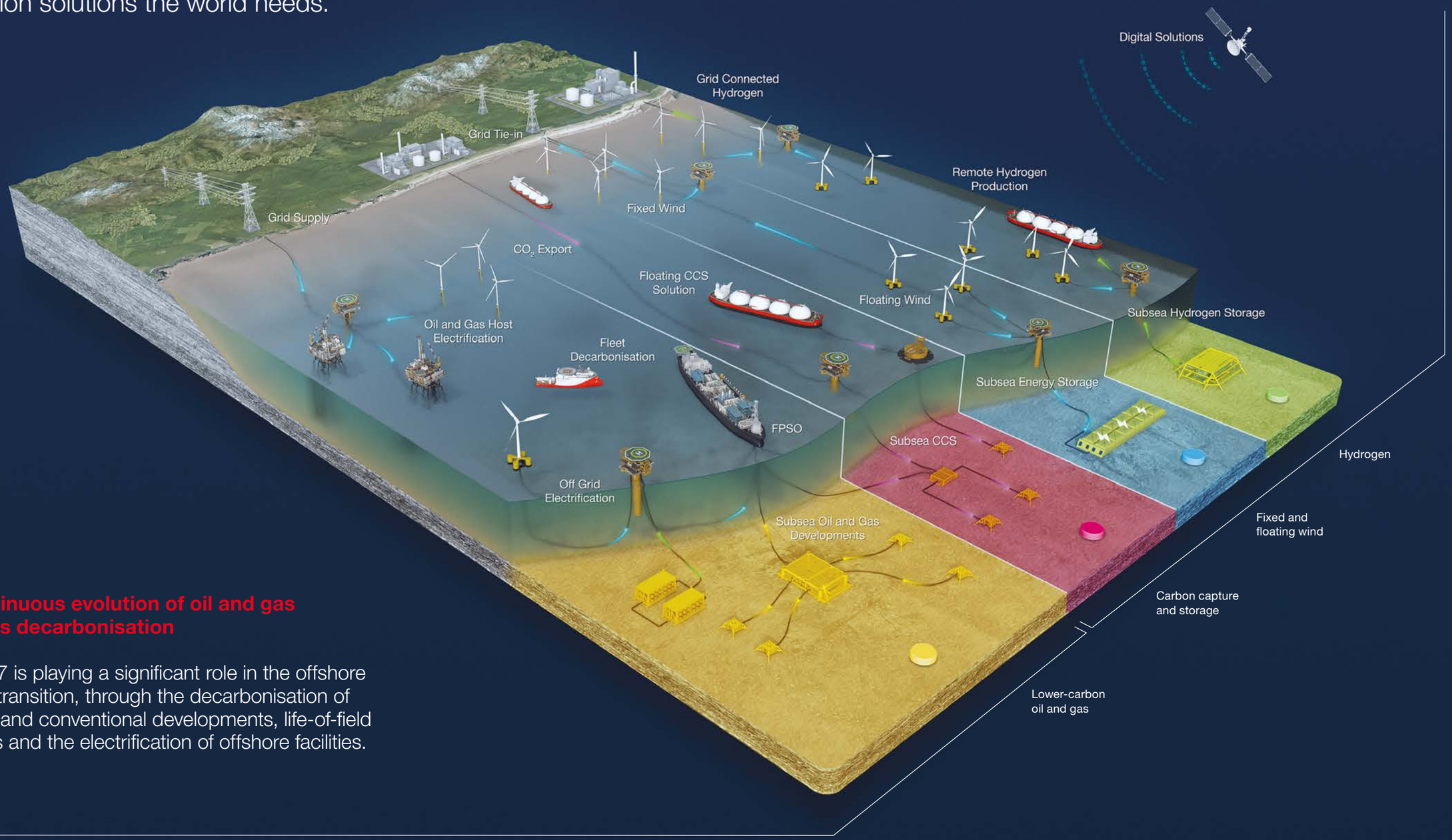
Subsea7 creates sustainable value by delivering the offshore energy transition solutions the world needs.

## 1. Continuous evolution of oil and gas towards decarbonisation

Subsea7 is playing a significant role in the offshore energy transition, through the decarbonisation of subsea and conventional developments, life-of-field services and the electrification of offshore facilities.

## 2. Enabling the growth of renewables and emerging energies

Subsea7 is making renewables and emerging energies possible by enabling the change and innovation required to deliver projects in offshore wind, carbon capture and hydrogen.



Our Strategy continued

# 1. Continuous evolution of oil and gas towards decarbonisation

**Subsea7 is playing a significant role in the offshore energy transition, enabling the continuous evolution of subsea and conventional developments, life-of-field services and the electrification of offshore facilities.**

**Integrated SPS-SURF**

**$8bn**

Contracts awarded to Subsea Integration Alliance since 2016

## Our strategy for the continuous evolution of lower-carbon oil and gas

### Subsea and Conventional developments

Subsea7 is a global leader in the provision of subsea installation services. We design and install subsea systems that leverage enabling products, digitalisation and lower-carbon intensity solutions to deliver optimal field architectures. In addition to standalone SURF services we offer an integrated SPS-SURF package though Subsea Integration Alliance. We create value for our clients by accelerating field development and lowering the total expenditure over the life of the field to optimise field economics and reduce carbon footprints.

Our lower-carbon oil and gas strategy addresses the carbon emissions of the factors within our influence, prior to end-user combustion. This involves a two-pronged approach that offers solutions to our clients that could reduce the carbon footprint of their developments as well as measuring and reducing the emissions of our own operations. All our significant field development tenders include analysis using our carbon estimator tool, enabling an evaluation of the impact of design options on lifetime carbon emissions. As well as engineering the solutions that enable our clients to reduce their carbon footprints, our strategy encompasses the reduction of emissions from our own operations, primarily our vessels. We continue to make progress converting select vessels to hybrid power. After the successful trial of biofuels in 2022, we continue to assess the viability of this option for our fleet, although challenges remain regarding the availability of clean fuels at scale on a global basis.

**Progress in 2023**

- Acquired 10% of the OneSubsea joint venture with SLB and Aker Solutions, which became our new partner in Subsea Integration Alliance. For more details, refer to the Spotlight on page 13
- Extended the Subsea Integration Alliance partnership to 2033
- Initiated a memorandum of understanding with bp for integrated subsea developments

**Priorities for 2024**

- Integrate the new OneSubsea joint venture within Subsea Integration Alliance and strengthen the technology engagement between Subsea7 and OneSubsea
- Continue to develop partnerships and collaboration agreements with certain clients
- Position the business for new regions including Suriname, Namibia and north-east Brazil
- Continue to ensure access to capacity and technology through our long-term relationships with third-party suppliers
- Optimise fleet utilisation by dedicating vessels to specific regions and reducing transit times
- Continue to work to reduce our Scope 1 emissions, with the hybridisation of *Seven Arctic*'s power systems

### Electrification of offshore facilities

Offshore electrification, including subsea power distribution and host facility electrification, is a transformative solution in the drive to reduce the emissions intensity of oil and gas developments. Clean power can be sourced from onshore grids or offshore sources such as fixed and floating wind. Combining our ability to assess greenhouse gas emissions using our carbon estimator tool with over a decade of experience in offshore wind, we are well positioned to bring traditional and new energy systems together.

**Progress in 2023**

- Performed a number of studies for our clients to assess decarbonisation alternatives for existing offshore assets, including power from shore and renewable power
- Launched our joint technology development programme with Siemens Energy for the subsea power hub connector system StarConnect

**Priorities for 2024**

- Continue to enhance our capabilities in electrical systems and products
- Evolve the functionality of OceanPlan – our digital engineering platform – to support wind and electrification solutions
- Advance the development of StarConnect with Siemens Energy

### Life-of-field services

Subsea7 provides fully integrated solutions, services and products that optimise the performance of subsea infrastructure throughout the life of a field. Working together with our autonomous subsidiaries, 4Subsea and Xodus, we are developing digital solutions for asset integrity management, condition monitoring and remote operations. Our combined capabilities allow clients to maximise recovery rates across the life of a field, enabling the highest levels of uptime and availability, at an optimised cost.

**Progress in 2023**

- Won a further two-year extension of our frame agreement with bp for inspection, repair and maintenance services
- Piloted a workclass ROV from Aberdeen performing operations offshore Brazil
- 4Subsea positioned itself as the leading supplier for riser condition monitoring solutions, with contracts for the Búzios 8 and Mero 4 riser monitoring systems

**Priorities for 2024**

- Continue to improve subsea system reliability through the development of lifecycle solutions
- Expand the market footprint of 4Subsea and Xodus

## Spotlight: OneSubsea joint venture

**At a glance**

In October 2023, we completed the transaction to create the new OneSubsea joint venture with our partners SLB and Aker Solutions.

- OneSubsea now comprises the subsea businesses of SLB and Aker Solutions
- SLB holds a 70% equity stake in the joint venture, with Aker Solutions and Subsea7 holding 20% and 10% respectively
- Subsea7 will pay a cash consideration of $306.5 million in two equal instalments. One was paid in 2023 and the second will be paid in 2024
- OneSubsea brings together an extensive complementary subsea production and processing technology portfolio, world-class manufacturing scale and capacity, access to industry-leading reservoir and digital domain expertise, unique pore-to-process integration capabilities, and strengthened R&D capabilities
- Adopting the OneSubsea name, the joint venture will drive innovation and efficiency in subsea production by helping customers unlock reserves and reduce cycle times

**What it means for Subsea7**

- OneSubsea is Subsea7's exclusive partner in Subsea Integration Alliance, bringing together field development planning, project delivery, innovative contracting models and total lifecycle solutions
- Investment in the joint venture cements Subea7's relationship with SLB
- The new venture enhances our integrated offering in Norway and aligns our partner model in the Aker BP relationship
- We have become the strategic part-owner of an umbilical manufacturer, a key element of our supply chain
- Subsea7's standalone SURF offering continues as usual

Our Strategy continued

# 2. Enabling the growth of renewables and emerging energies

**Subsea7 is making renewables and emerging energies possible by enabling the change and innovation required to deliver projects in offshore wind, carbon capture and hydrogen.**

**Offshore wind**

**11.9GW**

Cumulative installations supported by year end 2023

**CCS and hydrogen studies**

**57**

Completed by Xodus in 2023

## Our strategy for enabling the growth of renewables and emerging energies

### Offshore wind

Seaway7, part of the Subsea7 Group, is a leader in fixed offshore wind with over 10 years' experience in delivering offshore wind projects. To date, it has contributed to the production of 11.9GW through the installation of foundations and inner-array cables in Europe, Asia and the US.

Seaway7 is recognised as one of the most experienced partners for clients working on either a full EPCI (engineer, procure, construct and install) basis or on a T&I (transport and install) scope. Separately, Subsea7 has executed floating wind cable-lay projects, has invested in floating wind technology and continues to develop cost effective innovative solutions. Seaway7's market-leading capabilities have been reinforced with the delivery of two newbuild vessels, *Seaway Alfa Lift* and *Seaway Ventus* (see Spotlight panel opposite).

In 2023, our floating wind business – previously included in the Corporate business unit – was consolidated into Seaway7, and Subsea7 took full ownership of Seaway7 (see page 19).

**Progress in 2023**

- Added *Seaway Alfa Lift* and (in early 2024) *Seaway Ventus* newbuild vessels to our active fleet
- Secured $450 million funding from UK Export Finance for Seaway7
- Rebalanced the risk/reward profile of our offshore wind backlog to ensure improved returns
- Completed the Seagreen and Hollandse Kust Zuid fixed offshore wind projects
- Delivered a strong operational performance using *Seaway Strashnov* on the Dogger Bank A monopile scope
- Won a contract to transport and install 95 monopiles for the 1.4GW East Anglia THREE development in the UK
- Commercial collaboration agreement with Saipem to jointly identify, bid and execute fixed offshore wind projects

**Priorities for 2024**

- Continue our selective approach to tendering, focused on key markets, key clients and acceptable risk profiles to deliver sustained profitability and returns
- Maximise the opportunities for Seaway7 in advantaged markets such as the UK and Europe
- Further develop client partnerships in offshore wind, leveraging our leading market position
- Deliver our first turbine installation operations at the Gode Wind 3 and Borkum Riffgrund 3 offshore wind farms in Germany, utilising *Seaway Ventus*
- Continue to work to reduce our Scope 1 emissions with the hybridisation of *Seaway Alfa Lift*

### Carbon capture and storage

Carbon capture and storage (CCS) will be essential to reduce the amount of $CO_2$ in our ecosystems, especially that emanating from hard-to-abate industries such as steel, cement and petrochemicals. Subsea7 is executing its first CCS contract, for Equinor's Northern Lights project, which will enable the storage of 1.5 million tonnes of $CO_2$ per year. In addition, Subsea Integration Alliance is actively developing integrated solutions for $CO_2$ transportation and storage and has delivered several CCS studies, supporting clients in developing their $CO_2$ transport and storage projects. Xodus continues to support the business with advisory and consulting services to public authorities and developers. This has recently included the mapping of North Sea CCS infrastructure from today to 2050.

**Progress in 2023**

- Completed the first phase of our pipelay scope for the world's first open-source $CO_2$ transport and storage project, Northern Lights
- Delivered six concept and pre-FEED studies for offshore CCS developments

**Priorities for 2024**

- Secure new CCS projects, capitalising on the completion of Northern Lights
- Implement the integrated $CO_2$ transport and storage offering of Subsea Integration Alliance

### Hydrogen

Where wind farms are further from shore, the energy they produce is more efficiently transported as hydrogen molecules through pipelines or vessels rather than as electrons in power cables. We are adapting our oil and gas experience and technologies to the transportation and storage of hydrogen. We are in the process of defining the size of the opportunity which is likely to materialise within the next decade.

**Progress in 2023**

- Subsea7, together with partners, was awarded two grants from the Scottish Emerging Energy Technology Fund to perform studies relating to specific green hydrogen technology solutions
- Our Field Development Group (FDG) and Xodus worked on 24 studies for hydrogen technology and development solutions

**Priorities for 2024**

- Continue to perform studies for application of green hydrogen in Germany, the Netherlands and the UK North Sea


## Spotlight: Fixed offshore wind installation

**At a glance**

In 2023 and early 2024 we took delivery of two newbuild wind installation vessels, *Seaway Alfa Lift* and *Seaway Ventus*.

- *Seaway Alfa Lift* is a large monohull heavy-lift vessel capable of transporting and installing offshore structures including wind turbine foundation jackets and monopiles, and transition pieces. *Seaway Alfa Lift* is expected to be converted to hybrid power when the schedule allows, following the delivery of the batteries.
  - In 2024 and 2025 it will be fully utilised on the Dogger Bank A&B contract, and on Dogger Bank C
- *Seaway Ventus* is a self-propelled, dual-purpose turbine and foundation installation vessel. It includes systems for energy and heat recovery, hybrid power supply and a sophisticated electrical and control system, that together reduce $CO_2$ emissions by 20% compared to similar units.
  - In 2024 it will be fully utilised on Borkum Riffgrund and Gode Wind installing wind turbines
  - In 2025 it will be fully utilised on the East Anglia THREE project installing foundations

**What it means for Subsea7**

- The investments expand our owned Renewables fleet to 11 vessels: three heavy-lift vessels, two cable-lay vessels, a walk-to-work vessel and five heavy transportation vessels. We have an additional cable-lay vessel and a heavy transportation vessel under long-term charter
- The two new vessels will ensure that Seaway7 remains positioned as a market leader in offshore wind, with the capability to install the entire 'balance of plant' scope
- Subsea7 aims to support the cumulative installation of 18GW by 2025 and 35GW by 2030, from an existing project track record that represents 11.9GW by year end 2023

Business Unit Review

# Delivering across our business units

**Subsea7 reports the financial results of three business units:**

**Subsea and Conventional**

**Renewables**

**Corporate**

*The Corporate business unit includes our early-stage activities in hydrogen, as well as contributions from Xodus and 4Subsea. While these form an important part of our strategy for the future, they did not make a significant contribution to the financial results in 2023.*

## Subsea and Conventional

**Our Subsea and Conventional business unit is a world leader in delivering complex offshore projects to the oil and gas industry. It operates under the Subsea7 brand. It includes the financial results of all three parts of our 'lower-carbon oil and gas' strategy – subsea and conventional, electrification and life-of-field – as well as overlapping with our 'renewables and emerging energies' strategy by encompassing our activities in carbon capture.**

Within Subsea and Conventional, we deliver a full range of early concept and design, engineering, procurement, construction and installation (EPCI) services that integrate pioneering products, and digital and lower-carbon intensity solutions, into oil and gas subsea field architectures. Although our activities include shallow-water operations in select geographies, the majority of our projects are in deepwater environments, where developments typically offer advantaged economics and reduced carbon intensity. In water depths up to 3,000 metres, these developments leverage our specialist engineering knowledge and high-specification pipelay vessels. Combined with strong competitive dynamics – a stable landscape of three Tier 1 players with a small fleet of enabling deepwater pipelay vessels – it represents the most compelling subsector within traditional energy services.

During the year we completed installation of the $1.2 billion fast-track, deepwater Sakarya Phase 1 project in Türkiye and the development achieved first gas in April, just 30 months after the initial gas discovery by the client. The ambitious schedule was successfully executed in a new country to Subsea7, and in a new consortium. While the project was co-ordinated from our offices in Istanbul, it drew on engineering and project management expertise from our global operations in Paris, London, Kuala Lumpur and Perth (Australia). The project encompassed approximately 1,000 days' utilisation of our largest 'global enabler' pipelay vessels and over 4,000 vessel days in total. The successful result is testament to the strong collaboration both with the client and with SLB, our alliance partner in Subsea Integration Alliance.

We received a similar endorsement of our offering when, in October 2023, Petrobras awarded the Mero 4 subsea project to Subsea7. This followed 'Best Supplier' awards from Petrobras for 'EPCI subsea projects' and 'Installation of flexibles'. Mero 4 represents our fifth major greenfield EPCI award in Brazil and has been combined with our existing Mero 3 scope into one project. Together the renamed 'Mero 3 and 4' development covers a total of 156 kilometres of risers and flowlines, plus flexible service lines, umbilicals and associated infrastructure. It will utilise *Seven Vega* and *Seven Oceans*, two of the most capable deepwater pipelay vessels in our fleet, as well as *Seven Sisters*, one of our pipelay support vessels.

In 2023 we completed the initial phase of our first carbon capture pipelay scope for Equinor's Northern Lights project, part of Longship, the world's first full-scale open-source carbon capture and storage project. It will enable the storage of up to 1.5 million tonnes of $CO_2$ a year from mid-2024 by taking $CO_2$ from industrial sites onshore, to storage reservoirs offshore. During the year *Seven Oceans* successfully installed 55 kilometres of the 108-kilometre pipeline, with the remaining pipeline to be installed in spring 2024.

### Subsea and Conventional 2023 financial results

In 2023, revenue from the Subsea and Conventional business unit increased 26% to $4.9 billion, but the Adjusted EBITDA margin fell year-on-year to 12.4%, from 13.6% in 2022. This reflected a mix of activity skewed towards projects won in a challenging environment in 2020 and 2021.

After depreciation and amortisation of $419 million, net operating income was $196 million.

**Backlog**

In 2023, our Subsea and Conventional backlog grew 5% to $8.6 billion including projects with improved margins that are expected to drive growth in Adjusted EBITDA in the coming years.

Notable new awards included the major Mero 4 project in Brazil and the second phase of the Sakarya project in Türkiye. Both projects represent repeat awards, following the success of earlier projects.

**Reinvestment**

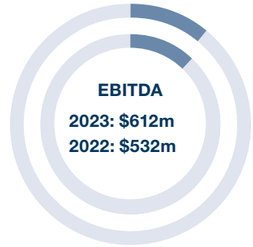
In 2023, capital expenditure in Subsea and Conventional remained low at $150 million, reflecting maintenance of the existing fleet of vessels as well as investment in our digitalisation strategies. Our primary focus is on maximising the long-term cash generation from our highly capable, modern asset base to support the return of capital to shareholders.

### Subsea and Conventional

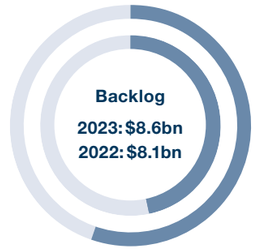
**2023 in numbers**

- Supported clients on 71 projects
- 7,312 days of vessel activity with 95% uptime, equivalent to 82% utilisation
- Installed ~500 kilometres of rigid pipelines and 61 subsea structures
- Fabricated 600 kilometres of pipe at spoolbases at Vigra in Norway, Ingleside in the US and Ubu in Brazil
- Managed a supply chain of over 8,000 entities in 79 countries (in subsea and offshore wind industries)

**Adjusted EBITDA**




**Backlog by year of execution**



## Business Unit Review continued

**Subsea7 reports financial results of three business units:**

**Subsea and Conventional**

**Renewables**

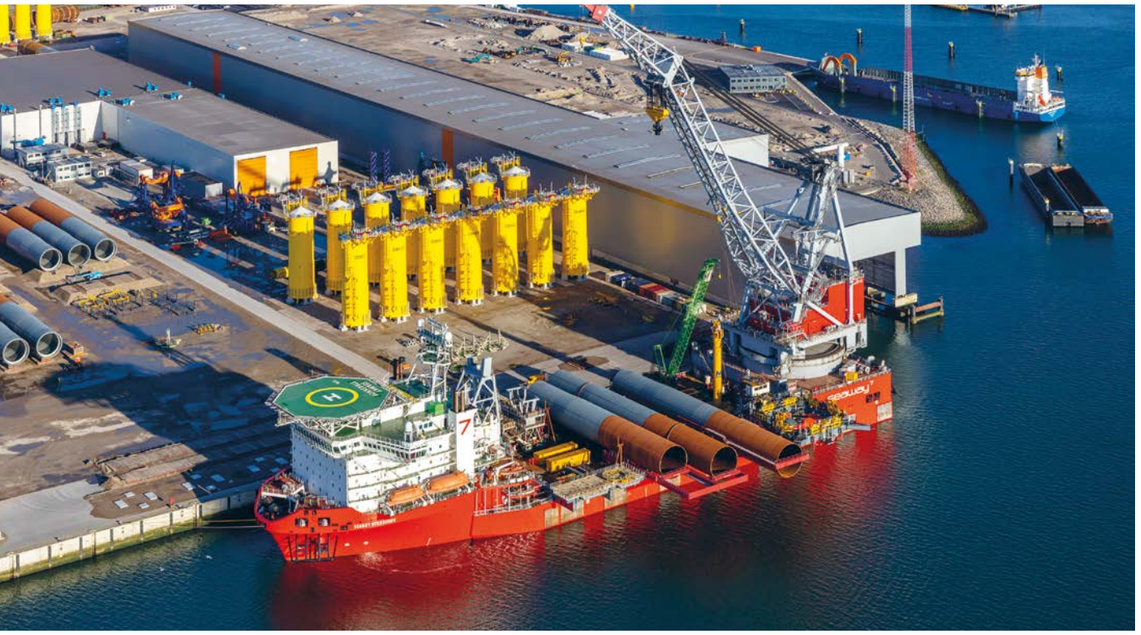
**Corporate**

### Renewables

**Subsea7's Renewables business unit primarily comprises the activities of Seaway7, a market leader in fixed offshore wind. Seaway7 is also responsible for our activities in floating offshore wind, although this remains early-stage and did not make a significant contribution to the 2023 financial results.**

Seaway7 is a market leader in the offshore wind industry and is a fundamental part of our strategy for renewables and emerging energies. It has a presence in all the major offshore wind markets of the world and offers services along the value chain focused on installation and project delivery for wind turbine foundations, inner-array cables, wind turbine generators and heavy transportation. It achieves this through various contract models ranging from single-scope transport and installation (T&I) to integrated multi-scope T&I and fixed price (EPCI) delivery.

Seaway7's client base mainly comprises utility companies and dedicated offshore wind project developers, but new players have been entering the offshore wind market, notably the major integrated energy companies. This provides the Group with opportunities to leverage its existing relationships from its legacy work in the offshore oil and gas sector.



During 2023, the Group completed the Seagreen EPCI project after an 18-month offshore campaign to install 114 foundations and 300 kilometres of inner-array cables. This included the world's deepest fixed foundation in 59 metres of water. With a capacity of 1.1GW, the development will generate around 5GWh of renewable energy annually, enough to power more than 1.6 million UK homes.

Last year we also finalised the installation of 139 foundations and inner-array cables at Hollandse Kust Zuid in the Netherlands. It was the world's first installation with a vessel in dynamic positioning mode, significantly improving efficiency compared to a jackup or moored vessel. The wind farm will have a capacity of 1.5GW, equivalent to the consumption of over 1.5 million Dutch households.

Seaway7 made good progress on the Dogger Bank projects in 2023, with the completion of the 95 foundation monopiles at Dogger Bank A, using *Seaway Strashnov*, and the commencement of the installation of transition pieces using *Seaway Alfa Lift*. Both vessels are expected to begin installation activities at Dogger Bank B in 2024, and move to Dogger Bank C in 2025.

During 2023, two high-specification newbuild vessels were delivered and joined our Renewables fleet, as discussed on page 15. With the addition of these new vessels, *Seaway Yudin*, owned since 1991, was sold in early 2024 after executing over 20 renewables projects.

### Renewables 2023 financial results

In 2023, revenue from the Renewables business unit decreased 14% to $1.0 billion, following the completion of the Seagreen project and as activity on the East Anglia THREE project remained in the early stages.

Adjusted EBITDA improved to $103 million from $5 million in the prior year, resulting in a margin of 10.7%, up from 0.4%. This was driven by an increased focus on execution and greater selectivity in project bidding to ensure a favourable balance of risk and reward.

The net operating loss was $74 million, mainly due to impairment charges relating to i) a contractual dispute relating to the monopile installation equipment of *Seaway Alfa Lift* and ii) an impairment of *Seaway Yudin*, prior to sale of the vessel.

#### Backlog

In 2023, notable new awards included the East Anglia THREE project in the UK and our Renewables backlog increased 152% to $2.0 billion. Tendering activity remains high and, despite the disruption to the wind industry discussed on page 9, we are confident in the long-term potential for backlog growth.

#### Reinvestment

In 2023, capital expenditure in Renewables was elevated at $400 million, mainly reflecting final payments related to the two newbuild vessels, *Seaway Alfa Lift* and *Seaway Ventus*. In 2024, capital expenditure is expected to return to a lower level.

#### Acquisition of Seaway7

During 2023, Subsea7 S.A. acquired all of the minority shareholdings of Seaway 7 ASA and de-listed it from the Oslo Stock Exchange. This was achieved through the purchase of 187.9 million shares (21.52%) from three strategic investors. As consideration, Songa Capital AS, West Coast Invest AS and Lotus Marine AS received one new share in Subsea 7 S.A. for every 22 shares in Seaway 7 ASA. An additional offer was made to the remaining minority holders. The purchase reaffirms Subsea7's commitment to the offshore wind market and its confidence in Seaway7's ability to create value for shareholders.

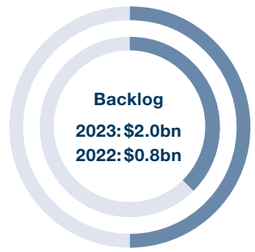
### Renewables

#### 2023 in numbers

- Supported the installation of 1.4GW of renewable energy capacity during the year including 99 foundations and over 600 kilometres of inner-array cables as part of 13 projects
- Cumulatively, by the end of 2023, Seaway7 had installed 1,127 foundations, 2,569 kilometres of inner-array cables and 35 offshore substations on projects with a combined capacity of 11.9GW of renewable energy, capable of powering 14 million homes

#### Adjusted EBITDA


#### Backlog by year of execution



Sustainability

# Committed to operating in a safe and ethical manner

Subsea7 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 2023 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**

**0.03**

rate per 200,000 hours worked
(2022: 0.01; target ≤0.03)

**Percentage of suppliers with a contract that included human rights clauses**

**83%**

(2022: 81%)

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

**8,349**

98% of target population
(2022: 6,691, 96% of target population)

**Cumulative power capacity of renewables projects supported to end of 2023**

**11.9GW**

(2022: 10.5GW)

**Scope 1 greenhouse gas emissions**

**656,624**

tonnes of $CO_2e$ emissions
(2022: 617,309)

**% of waste recycled onshore**

**91%**

(2022: 85%)

**Environmental incident frequency**

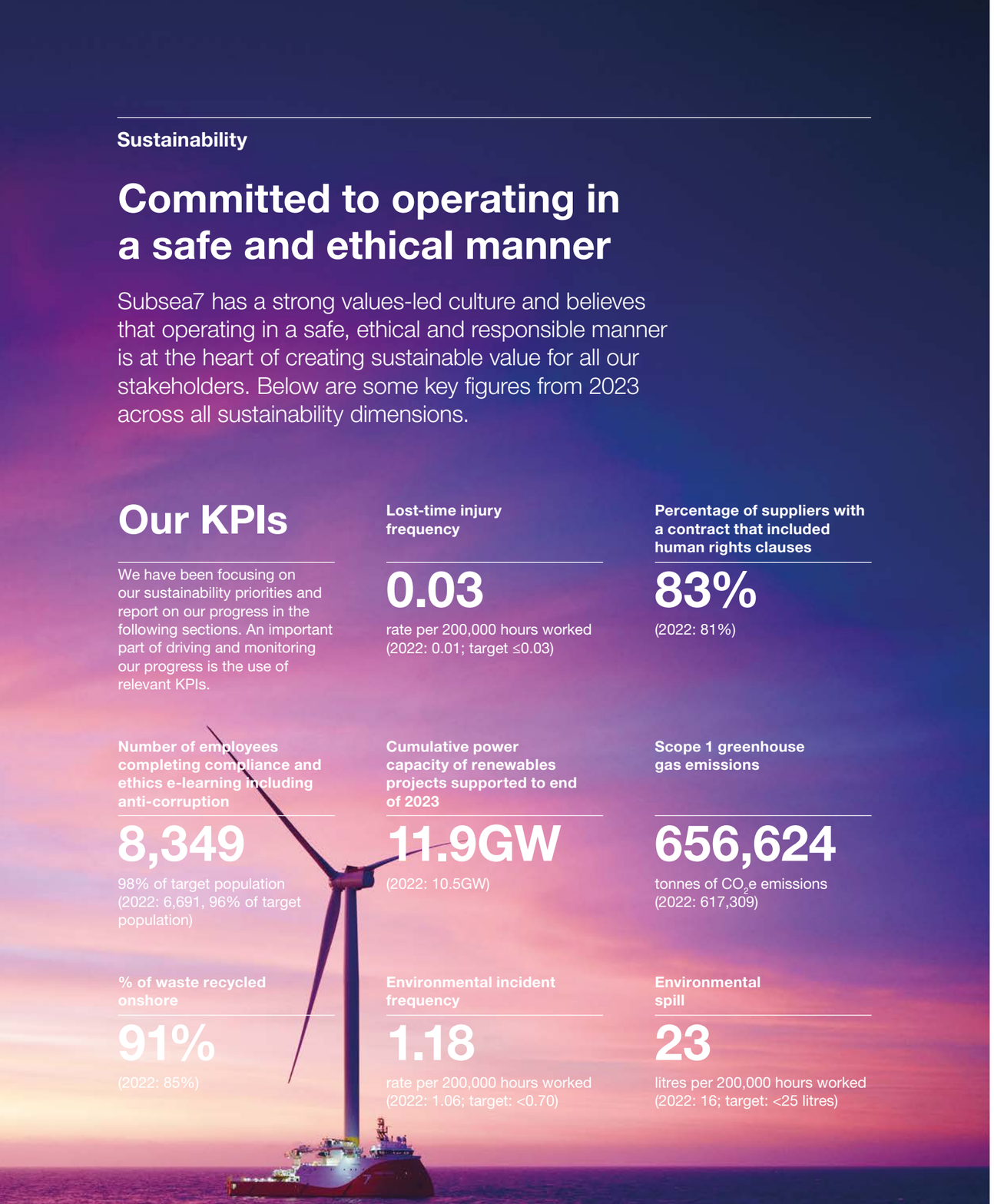
**1.18**

rate per 200,000 hours worked
(2022: 1.06; target: <0.70)

**Environmental spill**

**23**

litres per 200,000 hours worked
(2022: 16; target: <25 litres)





# 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 regularly 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. Subsea7's Business Management System (BMS) underpins the way in which we conduct safety training, reporting, procedures and assessments. Subsea7's line managers are responsible for implementation and compliance with the system, and for ensuring that all employees and contractors are aware of their responsibilities. We record all incidents and near misses in detail and investigate every event. Subsea7 checks activities against our internal standards and processes as well as regulatory and legislative requirements. Supporting the wellbeing of our people both for their own health and for the Group as a whole is very important. All our employees have access to a confidential Employee Assistance programme.

#### Progress in 2023

Our safety performance continued to be good in 2023, supported by our teams across the business who remained focused on upholding our 'work safe, home safe' commitment. This included our Leading Safety refresher programme and continuing our sponsor programme across all of our vessels and work sites.

During the year, we developed human and organisational performance (HOP) principles to focus on understanding and improving performance. We also increased the level of assessment across some of our suppliers to support improved performance.

We integrated our approach to wellbeing within our employee value proposition to further represent what it means to be part of Subsea7.

### Energy transition

As global demand for energy continues to grow so too does the drive to address climate change and deliver lower-carbon sources of energy. Subsea7 plays a leading role in the construction of sustainable offshore energy developments around the world.

Offshore fixed wind has become a significant part of our business and in 2023 our Renewables business generated 16% of Subsea7's revenue. Floating wind offers the possibility to further support the energy transition by allowing a greater number of offshore wind farms to be developed in deeper water. Subsea7 has invested in floating wind technology and we continue to grow our technical capability and expertise in this area to develop cost effective, innovative solutions.

The decarbonisation of oil and gas developments also has a role in the transition. Our proprietary technology and engineering capability support our clients in developing their fields cost effectively and efficiently.

#### Progress in 2023

Despite volatility in the offshore wind market, made challenging by economic and policy conditions, we remain focused on our long-term fundamentals; and within fixed offshore wind, we contributed to 1.4GW of renewable power capacity by installing over 198 offshore wind turbine foundations. In 2023 and early 2024, we also took delivery of two new wind installation vessels, capable of installing larger wind developments. Our focus within offshore floating wind was on maturing technologies and solutions to support lower-cost developments.

In carbon capture and storage we delivered the first 55 kilometres of $CO_2$ injection pipeline for the Northern Lights development in Norway.

Our strategic partnerships and collaborations support our proactive participation in the energy transition.

### Labour practices and human rights

Putting in place fair and lawful employment practices, and providing a working environment in which no-one is abused or exploited by us or anyone we work with, makes us a stronger and more reliable company.

We maintain a human rights programme designed in accordance with regulatory and stakeholder requirements to help ensure we identify and manage any human rights risks arising from our own activities and across our supply chain. We have a Human Rights Policy Statement and a Slavery and Human Trafficking Statement that summarise Subsea7's commitment and efforts to improve our management of the potential human rights impacts of our business activities and, more specifically, to respond to the UK Modern Slavery Act.

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. We are a signatory to the UN Global Compact and a board member of the Building Responsibly organisation.

#### Progress in 2023

We continued to work towards effective implementation of our human rights programme and we reached 100% completion of human rights risk assessments across our own workforce. This enables us to identify where we may face risks, and where we may have gaps in our own policies and procedures. We strengthened our governance around labour practices and human rights at Board level.

Within our supply chain, we enhanced our risk assessment process for identifying suppliers that might present a medium or high human rights risk. We also sharpened our human rights due diligence questionnaires with a focus on the risks of child labour, slavery and trafficking, and other forms of forced or involuntary labour. We successfully trained 98% of relevant employees on human rights and we added human rights to the agenda for our Supplier Integrity events.

## Our sustainability priorities continued

### Business ethics

We are committed to complying with applicable laws and upholding the highest ethical standards, 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 compliance and ethics programme is designed to embed our Code of Conduct and help manage compliance and ethics risks (including corruption) in our own operations, our supply chain and within third-party organisations. Our Code of Conduct for Suppliers sets out the key principles of ethical conduct that our suppliers are required to uphold. Our Speak Up policy establishes a mechanism for anyone to raise concerns 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 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 2023

We held our annual Global Integrity Day, provided compliance and ethics training for our employees and organised Suppliers' Integrity Days. We continued to embed our procedure for engaging with suppliers to ensure they are appropriately assessed for compliance and ethics risks.

We continued to engage an external expert firm to provide independent assurance that our compliance and ethics programme is well embedded across Subsea7; 100% of our business is covered by such assessments. We also received ISO 37001 accreditation for our programme in the UK.

### Operational eco-efficiency

Subsea7 recognises the risks and opportunities of climate change and its potential effect on our business and stakeholders. We seek to be more efficient in the way that we work and invest in solutions that lower our greenhouse gas emissions within our operations and throughout our supply chain. Over 90% of our emissions come from our vessels, meaning that our emissions correlate strongly with our offshore activity levels and we must seek to reduce these in line with our targets. The emissions arising within our supply chain are also fundamental to address together with our clients if we are to collectively target a lower-carbon industry.

We have a risk management system with procedures and tools that identify, analyse, report and manage business risks related to environmental exposure, including climate impacts. We also measure key environmental data against internal targets, including fuel and energy consumption and carbon emissions reduction.

#### Progress in 2023

Our Scope 1 GHG emissions increased to 656,624 $CO_2e$ tonnes (2022: 617,309 $CO_2e$ tonnes) due to increased operational activity and two additional vessels joining the Renewables fleet. However the (Scope 1) emissions intensity of our fleet improved.

In 2023 we continued to implement digital technology to measure and ultimately allow us to improve the efficiency of our vessels.

We prepared for the hybridisation of the next one of our vessels and advanced the focus on our supply chain and Scope 3.

A significant factor in achieving our goals remains the availability, at scale and around the globe, of commercially viable alternative fuels for the global shipping industry.

### Ecological impacts

We are committed to ensuring that our activities minimise harm to the environment, as outlined in our Code of Conduct. Subsea7's Environmental Management System (EMS) is certified to ISO 14001:2015, verifying the effective implementation of all mandatory requirements of the standard. We acknowledge the significance of safeguarding and conserving biodiversity. Through our EMS and in line with regulatory compliance, we strive to control the environmental impacts of our operations on a region's biodiversity. Our HSEQ policy also focuses on ensuring regulatory compliance and improving our environmental performance. Subsea7's line managers are responsible for implementation and compliance with this policy and for ensuring that all employees and contractors are aware of their responsibilities. We also take responsibility for our own end-of-life assets, with all vessels recycled in accordance with the Hong Kong Accord.

#### Progress in 2023

We performed waste contractor health checks throughout 2023 in many of our regions, including internal site and vessel visits. This year, we recycled 91% of total onshore waste generated and segregated 71% of total offshore waste generated for recycling. Across our regions, we continued to use the Group-wide single-use plastic dashboard to discover where we need to reduce our consumption. We also trialled a single-use plastic observation card in three locations offshore and onshore to help identify incoming single-use plastics from suppliers.

We continued to raise awareness of the work and impact of BORA Blue Ocean Research Alliance® in collaboration with the National Oceanography Centre. We completed habitat mapping of the Gray Triggerfish (red-listed by the International Union for Conservation of Nature) in Brazil and initiated a marine sediment sampling initiative.



# A focus on our people

**Our people are our greatest asset, the heart of our business and everything we do. Being7 is our employer brand and the backbone of our culture. It's what we offer our people, it's what our people bring to Subsea7 and it's what it feels like to work here.**

In 2023 we relaunched Being7 to all our people around the world. At Subsea7 we offer our people a career they can be proud of, an incredible journey and an environment where they can thrive. Our Being7 offer is supported through our learning and development, diversity and inclusion, and health and wellbeing strategies, including a regular survey that enables us to understand where we need to focus our efforts to continually improve Subsea7. In 2023 over 2,500 of our offshore and onshore people were nominated for Being7 Stars by fellow colleagues, recognising them for supporting their incredible journey.

### Learning and development

Our focus and investment in learning and development continued in 2023 with the addition of Women in Business, Commercial Awareness, Early Talent and Core Career Skills programmes to our Academy suite. We continued our Project Manager Diploma, Management Development, Leadership and Safety Leadership programmes.

In 2023, our workforce undertook 4,372 days of health, safety and wellbeing training. We also continued to encourage a culture of learning through our annual Festival of Learning, with the 2023 theme being 'Incredible Journey'. We had record-breaking attendance with over 7,000 of our onshore and offshore people taking part across 90 sessions.

### Diversity and inclusion

Following the launch of the Subsea7 Diversity and Inclusion framework in 2022, we continued to focus on our four pillars: inclusive culture, gender balance, nationality balance and the recruitment pipeline. In 2023 we launched our Women in Business programme and held two offshore women's forums. We enhanced our approach to talent management to ensure clearer visibility of our onshore top talent and launched our offshore talent review. A significant effort was placed on attracting and hiring women to join our offshore crews, resulting in a 27% increase in female hires during the 2022/23 recruitment period compared with 2021/22. Our 2023 graduate class was our largest to date, numbering 244, spanning 40 nationalities and being 41% female.

### Health and wellbeing

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 2023 our focus was to support our managers to increase their awareness around mental wellbeing. Around the world, we supported our people with a variety of offerings and activities. For example, in our Africa, Mediterranean and Caspian region, wellbeing workshops were held for managers, in parallel to mental health awareness leader training. In our Paris office a wellbeing committee was set up, while in Brazil there was a monthly calendar of wellbeing activity for our employees.

### Nationality mix

| | |
|---|---|
| Europe | 53% |
| Asia/Pacific | 21% |
| Americas | 23% |
| Africa | 3% |

### Age mix

| | |
|---|---|
| Under 30 | 14% |
| 30-50 | 64% |
| Over 50 | 22% |

### Gender mix

| | |
|---|---|
| Onshore male | 41% |
| Offshore male | 40% |
| Onshore female | 18% |
| Offshore female | 1% |

### Executive Management

| | |
|---|---|
| Male | 75% |
| Female | 25% |

# EU Taxonomy Disclosure

| KPIs for climate change mitigation objective as of 31 December 2023 | Revenue $m | | | Capex $m | | | Opex $m | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Var** | **2023** | **2022** | **Var** | **2023** | **2022** | **Var** |
| Numerator for aligned | **860** | 1,061 | (201) | **424** | 122 | 302 | **20** | 17 | 3 |
| Numerator for eligible | **876** | 1,106 | (230) | **424** | 122 | 302 | **21** | 18 | 3 |
| Numerator for non-eligible | **5,094** | 4,030 | 1,064 | **516** | 252 | 264 | **88** | 87 | 1 |
| Denominator | **5,974** | 5,136 | 838 | **940** | 374 | 566 | **109** | 105 | 4 |
| Aligned proportion | **14%** | 21% | (70bp) | **45%** | 33% | 120bp | **18%** | 16% | 20bp |
| Eligible proportion | **15%** | 22% | (70bp) | **45%** | 33% | 120bp | **19%** | 17% | 20bp |
| Non-eligible proportion | **85%** | 78% | 70bp | **55%** | 67% | (120bp) | **81%** | 83% | (20bp) |
| Ref. to financial statements | **Notes** | 3,5 | | **Notes** | 13-15 | | - | | |

Note: full tables showing taxonomy-eligible and aligned activities are disclosed on pages 152 to 154 within the Additional Information section.

## Revenue (turnover)

The primary source of revenue contributing to the numerator of the taxonomy revenue key performance indicators (KPIs) was generated from the installation of offshore wind farm facilities. The proportion of the Group's total revenue which was taxonomy-eligible in 2023 was 15%, compared to 22% in 2022; the decrease reflected lower revenue in the Group's Renewables business unit, mainly due to phasing on the Seagreen project, UK, which was substantially completed at the end of 2022. The proportion of the Group's total revenue that was taxonomy-aligned in 2023 was 14%, compared to 21% in 2022.

## Capex

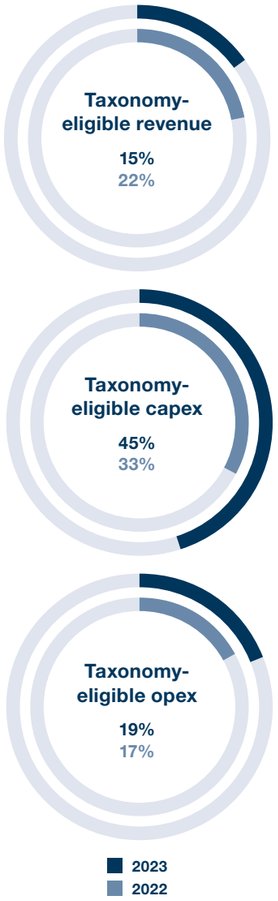
All capex contributing to taxonomy KPIs, which included additions of vessels to the Group's fleet and right-of-use assets, was in support of the Group's activities related to the offshore wind business. The capex was invested in line with the Group's long-term strategy and planning objectives. The Group's taxonomy-eligible and taxonomy-aligned capex in 2023 represented 45% of the total capex of the Group compared to 33% in 2022. The year-on-year increase in taxonomy-eligible and taxonomy-aligned capex was primarily due to the investment in two newbuild vessels, *Seaway Ventus* and *Seaway Alfa Lift* which will work primarily on offshore wind activities.

## Opex

Opex contributing to taxonomy KPIs included maintenance and repair costs directly related to vessels operating exclusively on offshore wind activities and research and development (R&D) costs with a direct link to expected future revenue within the offshore wind sector. The proportion of the Group's opex which was taxonomy-eligible in 2023 was 19% compared to 17% in 2022. The proportion of the Group's total opex that was taxonomy-aligned in 2023 was 18% compared to 16% in 2022. A portion of the taxonomy-eligible R&D opex related to subsea hydrogen storage, however due to the early stages of this activity, the Group is not yet in a position to state whether alignment criteria were met. Management will continue to review this for reporting in future periods.

## EU regulation

On 18 June 2020, the European Union (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 2023 financial year, eligibility and alignment indicators highlighting the proportion of its revenue, capital expenditure ('capex') and operating expenditure ('opex ') – collectively, key performance indicators ('KPIs') – resulting from economic activities considered as sustainable as defined by the EU Taxonomy.




The EU Taxonomy defines an economic activity as sustainable if it shows Significant Contribution (SC) to reaching one or more of six environmental objectives, Does No Significant Harm (DNSH) to any of the environmental objectives, and is carried out in compliance with the Minimum Safeguards (MS). In 2023 the Alignment reporting criteria have been assessed for climate change mitigation and climate change adaptation objectives. The eligibility criteria assessment has been carried out on the four new objectives; Water and marine resources, Circular economy, Pollution and Biodiversity and ecosystems.

The assessment of eligibility and the degree of alignment was performed based on a detailed analysis by management of all the Group's economic activities undertaken in the year, measured against:

- Delegated Regulation (EU) 2021/2139 of 4 June 2021 and its annexes supplementing Regulation (EU) 2020/852 specifying the technical criteria for determining under which conditions an economic activity may be considered to contribute to climate change mitigation or climate change adaptation
- Delegated Regulation (EU) 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
- Amendments to Objectives 1 and 2 amending Delegated Regulation (EU) No. 2021/2139 establishing additional technical selection criteria for determining the conditions under which certain economic activities may be considered to contribute substantially to climate change mitigation or adaptation, and for determining whether such activities do not adversely affect any of the other environmental objectives
- Clarification of the Taxonomy's other environmental objectives relating to the protection and sustainable use of water and marine resources, the transition to a circular economy, the prevention and control of pollution and the protection and restoration of biodiversity and ecosystems via the Commission's delegated regulation (EU) of 27 June 2023 supplementing delegated regulation (EU) 2020 /2139

Management performed an exercise to identify each economic activity which contributed to the Group's Consolidated Financial Statements, which include Subsea 7 S.A. (the 'Company') and all entities controlled by the Company (its 'subsidiaries').

Management applied an analytical methodology which involved definitions, assumptions and estimates, the main elements of which are described in the following sections. The Group will continue to develop its analytical methodology as the EU Taxonomy evolves.

## Eligible economic activities under the EU Taxonomy

The first step of the alignment assessment in accordance with the EU Taxonomy requires the Group to identify all eligible economic activities for each of the published environmental objectives. The economic activities identified resulted from a comprehensive review of the Group's activities in 2023.

Management engaged with stakeholders within the Group to analyse all third-party revenue-generating activities, as well as any activities for which there was capex that may generate revenue in future periods, and opex such as research and development (R&D) spend.

The Group's activities that were assessed to be Taxonomy-eligible for the six environmental objectives, with only climate change mitigation being relevant, are shown in the table on page 27.

The classification of activities in 2023 is consistent with that reported in 2022, with revenue-generating activities falling under 4.3 'Electricity generation from wind power' and 5.11 'Transport of $CO_2$'.

Eligible capex and opex are also included primarily in activity 4.3 'Electricity generation from wind power' with a small amount of opex linked to activity 9.1 'Close to market research, development and innovation' which considers expenses linked to R&D, in this case R&D surrounding green hydrogen storage.

The review of eligibility indicators covered all of the Group's economic activities included in the Group's Consolidated Financial Statements for the year ended 31 December 2023. In the year, 93% of the eligible revenue related to the construction of electricity generation facilities that produce electricity from wind power, with the balance consisting of the Group's participation in carbon capture projects in Norway and within the Xodus business.

For clarity, the oil-and-gas-related economic activities of the Group's Subsea and Conventional and Corporate business units were assessed as non-eligible under the EU Taxonomy. All oil-and-gas-related activities were deemed non-eligible due to the exclusion of fossil fuel extraction activities from the EU Taxonomy target scope. Notwithstanding this, the Group's non-eligible activities included activities contributing to reducing the carbon intensity of the energy transition such as carbon footprint optimisation, studies related to carbon capture systems in the oil and gas sector, a project for the electrification of an offshore platform using floating wind technology, and other less significant carbon footprint reducing activities.

It is possible that some of these activities may fall into eligible scope in the future and this will continue to be monitored.

## Alignment assessment for revenue-generating activities

For the year ended 31 December 2023, the EU Taxonomy Regulation requires eligible activities to be analysed regarding their compliance with the 'alignment' criteria for activities under climate change mitigation and climate change adaptation objectives, which includes considerations related to Substantial Contribution, Do No Significant Harm and Minimum Safeguards.

## Substantial Contribution

### Activity 4.3 Electricity generation from wind power

After reviewing the technical screening criteria related to this activity, management concluded that all eligible activities met the Substantial Contribution criteria as the activities ultimately resulted in the generation of electricity from wind farms.

## EU Taxonomy Disclosure continued

**Activity 5.11 'Transport of $CO_2$'**

The following Substantial Contribution criteria were assessed in order to demonstrate the alignment of the Group's carbon capture project in Norway:

- $CO_2$ was transported from the installation where it was captured to the injection point with less than 0.5% $CO_2$ leakages; and
- $CO_2$ was delivered to a permanent $CO_2$ storage site meeting criteria for underground geological storage of $CO_2$.

**Activity 9.1 'Close to market research, development and innovation'**

The Substantial Contribution criteria were met, as the opex under this activity relates to the construction of subsea hydrogen storage facilities. However, this project remains in its early stages, with activities relating to R&D spend, and as such management concluded that it was not yet in a position to classify the activity as taxonomy-aligned.

### Do No Significant Harm (DNSH)

When analysing the DNSH criteria management relied on the environmental management plans for each project and the Group's sustainability strategy and Compliance and Ethics policies. The following DNSH criteria were considered:

**Protection of biodiversity and ecosystems (4.3/5.11)**

For all of the Group's eligible activities, ISO 14001 certified environmental management plans are implemented. These plans provide a framework to allow management to monitor and mitigate the environmental impacts of the Group's business operations and meet the requirements of all applicable regulations. Within the plans a number of standards and procedures are maintained in order to meet the DNSH assessment criteria for EU Taxonomy requirements. These plans incorporate inputs from the Group's clients. All issues identified and requirements defined in the original environmental impact assessments are considered to establish the consent requirements for the activity; these are then incorporated into the client environmental management plans, and finally into the Group's environmental management plans.

Regarding protection of biodiversity and ecosystems, the Group ensures that the eligible activities do not hamper the achievement of good environmental status as set out in Directive 2008/56/EC. This requires that the appropriate measures are taken to prevent or mitigate impacts in relation to that Directive's Descriptors 1 (biodiversity) and 6 (seabed integrity), laid down in Annex I to that Directive, and as set out in Commission Decision (EU) 2017/848 in relation to the relevant criteria and methodological standards for those descriptors.

**Transition to a circular economy (4.3)**

The environmental management plans include assessments related to the circular economy, ensuring where feasible that equipment and components used are of high durability and recyclability and are easy to dismantle and refurbish. In most of the Group's eligible activities, steel is the major component used, which in most cases can be recycled.

**Sustainable use and protection of water and marine resources (4.3/5.11)**

Sustainable use and protection of water and marine resources is also considered by management. In the case of the construction of offshore wind infrastructure, management assessed that the activities did not hamper the achievement of good environmental status as set out in Directive 2008/56/EC. This required that appropriate measures be taken to prevent or mitigate impacts in relation to that Directive's Descriptor 11 (noise/energy), laid down in Annex I to that Directive, and as set out in Commission Decision (EU) 2017/848 in relation to the relevant criteria and methodological standards for that descriptor. An example of where steps were taken to minimise potential noise impacts was the successful use of near-field noise mitigation systems, including bubble curtains, on wind farm projects, to protect the environment from the sound and vibration caused by pile-driving foundation structures into the seabed.

**Adaptation to climate change (4.3/5.11)**

As part of the process of alignment with Task Force on Climate-related Financial Disclosures (TCFD) requirements, management has identified climate-related risks and opportunities that may have a strategic or financial impact on the Group. An independent third-party analysis of short-term risks was performed and a risk analysis process is being developed by management to help identify the longer-term impacts for the Group of both transitional and physical climate risk. Climate risk and vulnerability assessments were also performed by the Group's clients to meet alignment expectations.

### Minimum Safeguards

The EU Taxonomy sets out a set of Minimum Safeguards in accordance with Article 18 of the Regulation. The Minimum Safeguards are a set of defined UN, EU and other international human rights and code of ethics guidelines against which businesses must assess their procedures. Four themes are covered under the Minimum Safeguards criteria: human rights, corruption, taxation and fair competition.

In order to meet the requirements, the Group has established a process for mapping its policies and procedures against the following guidelines and standards, as set out by the EU Taxonomy:

- the OECD Guidelines for Multinational Enterprises;
- the UN Guiding Principles on Business and Human Rights;
- the principles and rights set out in the eight fundamental conventions identified in the International Labour Organization Declaration on Fundamental Principles and Rights at Work; and
- the International Charter of Human Rights.

Having performed a review of the Group's policies and procedures, management concluded that the Group complies with the alignment criteria of the EU Taxonomy's Minimum Safeguards. Further information is available in the Group's Business Ethics, Human Rights and Tax policies section at www.subsea7.com and within our Sustainability Report.

### Methodology for calculating KPIs

The financial information used for the EU Taxonomy report is based on the Group's Consolidated Financial Statements for the year ended 31 December 2023 and was sourced from the Group's financial information systems. It was subject to internal review and assurance by the Group's finance function to ensure consistency of approach with the revenue, opex and capex information reported in the Group's Consolidated Financial Statements.

The Group's Taxonomy-eligible/aligned revenue KPIs are determined by dividing the sum of the revenue related to eligible and aligned activities by the total revenue of all activities as reported in the Group's Consolidated Financial Statements. The Group's revenue relates mainly to engineering, procurement, construction and installation contracts recognised in accordance with Note 3 'Material accounting policies' to the Group's Consolidated Financial Statements for the year ended 31 December 2023.

The Group's Taxonomy-eligible/aligned capex KPIs are determined by dividing the sum of the capex of eligible and aligned capex activities by the total of: additions to intangible assets; property, plant and equipment; and addition and remeasurement of right-of-use assets as reported in the Group's Consolidated Financial Statements. For further details refer to Notes 13, 14 and 15 to the Group's Consolidated Financial Statements for the year ended 31 December 2023.

The Group's Taxonomy-eligible/aligned opex KPIs are determined by dividing the sum of the opex related to eligible and aligned activities by the total opex for all activities for the Group during the year ended 31 December 2023. The only operating expenses reported under the numerator and denominator for the Group were

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

To avoid double-counting, management only included as eligible those operating expenditures allocated in full to supporting the execution of eligible activities. The expenses already included under the capex taxonomy-aligned KPIs have been excluded from the opex taxonomy-aligned KPIs numerator and denominator.

### Future developments

The Group's strategy is to create sustainable value by delivering the offshore energy transition solutions the world needs while remaining focused on the delivery of offshore energy across subsea oil and gas, carbon capture, offshore wind and emerging energy projects. In line with this strategy management intends to continue to develop the Group's Taxonomy-eligible and aligned KPIs and to continue to evaluate the Group's operations and identify any new activities which may be eligible under the six environmental objectives within the sustainability Taxonomy.

| Environmental objective | Activity covered by the EU Taxonomy Code | Associated NACE code | Definition of the activity | Corresponding Group activity |
|---|---|---|---|---|
| Climate change mitigation | 4.3<br>Electricity generation from wind power | D35.11<br>F42.22 | Construction or operation of electricity generation facilities that produce electricity from wind power. | Activities related to the delivery of fixed and floating 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 of renewables structures. |
| Climate change mitigation | 5.11<br>Transport of $CO_2$ | F42.21<br>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 $CO_2$ from an industrial source, offshore Norway.<br>This scope includes engineering, fabrication and installation of approximately 100 kilometres of pipeline that will connect the $CO_2$ collection facility to the $CO_2$ storage site. |
| Climate change mitigation | 9.1<br>Close to market research, development and innovation, which considers expenses linked to R&D | | R&D in relation to green hydrogen storage. | The Group is currently involved in R&D activities relating to the construction of green hydrogen storage facilities. |

Risk Management

# 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 and its strategy for oil and gas, renewables and emerging energies sources are driven by three business units. The Subsea and Conventional business unit focuses on subsea developments, electrification and life of field and carbon capture and storage. The Corporate business unit focuses on early-stage activities in the subsea hydrogen and emerging energies markets, while Renewables – through the Seaway7 brand – is focused on 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 for the energy industry, in all water depths, under the Subsea7 brand. Delivering a full range of early concept and design, engineering, procurement, construction and installation (EPCI) services utilising pioneering products as well as digital and lower-carbon intensity solutions for its clients. These solutions can be provided as an integrated solution through alliance partnerships and collaborations. Through the Group's life-of-field services, it provides fully integrated solutions, services and products that protect the integrity and optimise the performance of clients' field infrastructure as well as supporting digital solutions for the purpose of asset integrity management, condition monitoring and remote operations. The Group's experience in offshore project execution positions it well to support the offshore electrification of facilities, which will enable transformative solutions to subsea developments.

Our Renewables business has over 10 years of experience in delivering offshore wind projects. It offers services including the installation of foundations, inner-array cables, substations and, more recently, an asset to support the installation of wind turbines. Seaway7 is one of only a few contractors that can provide EPCI expertise and can therefore offer a variety of contracting models ranging from single-scope transportation and installation, to integrated multi-scope and full EPCI contracts. It also has a fleet of six heavy transportation vessels, enabling us to transport components and infrastructure to support the wind industry.

As each country presses forward to meet its Net Zero targets and transition to cleaner energy sources, the world is also challenged by geopolitical uncertainty and a need for energy security. Subsea7's focus on subsea oil and gas, carbon capture, offshore wind and new energies places the Group at the heart of the energy transition and ready to meet the needs of our clients.

Offshore operations are required for both Subsea and Conventional as well as Renewables 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 inspection, repair and maintenance 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 increases in the supply chain, as well as general inflation, is 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 meets to review and discuss the Group's principal risks and its risk management procedures and reports to the Chief Executive Officer. 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 or 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 30 to 46.

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.

## Risk Management continued

### Market risk

## Risk

**Strategic**

The Group recognises that technology, engineering capabilities and providing the right solutions to meet clients' demands are market differentiators and are key to delivering on its strategy. The Group's strategy is to create sustainable value by delivering the offshore energy transition solutions the world needs. By continuing to improve our solutions and the way we deliver them we can continue the evolution towards oil and gas decarbonisation, as well as enabling the growth of renewables and emerging energy.

The role the Group takes in the continuous evolution of oil and gas towards decarbonisation is based on three pillars: subsea and conventional developments, life-of-field services, and electrification of offshore facilities where new products and solutions are required to make this possible. This brings with it the risk that 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 continue to be an attractive contracting model across both new subsea developments and life-of-field work scopes, and are offered through Subsea Integration Alliance. This is a preferred option for many clients, particularly for large greenfield projects, and is an important component of the Group delivering on its strategy. The risks associated with this contracting model include either party encountering an interruption in work activities because 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 standalone 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.

The Group continues to advance its strategy in both the established renewables market and emerging energies sectors. Finding the correct solutions and delivering on these is key, as is achieving a balanced risk profile across these evolving sectors and with new clients. A balanced allocation of risk remains central to profitability in the wind market and with a healthy backlog of work, the Group can be selective in its tendering approach to ensure future work maintains an acceptable risk profile. Seaway7 is well-positioned to capture an enhanced share of the fixed offshore wind market in future years.

As the fixed wind sector continues to grow and emerging energies advance there is a risk that an increase in the size and complexity of renewables or emerging energy projects could exceed our current asset base.

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 potentially incorrect assessments of the target market, new and inherited legal and contractual liabilities, as well as operational and financial risks. 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.



### Market risk continued

## Mitigation

Technology-related risks are mitigated by employing qualified personnel, as well as working to industry and professional 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 and emerging energies sectors, 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 as well as striving for and promoting an industry-leading balanced contractual risk profile.

The Group has internal resources and external advisers to carry out 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 various phases of the transaction as well as the integration process immediately after a corporate transaction to ensure successful execution.

## Risk Management continued

### Market risk continued

| Risk | Mitigation |
| --- | --- |
| **Economic**<br>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, and as the world considers the energy trilemma of affordable and secure energy there is a requirement 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 contribute to the decarbonisation of oil and gas developments. This involves setting and continuing to focus on our own lower-carbon targets as well as supporting our clients in their lower-carbon targets through working with the supply chain, investing in our own fleet and looking for new technology to reduce our own carbon footprint.<br><br>Legislative changes and society pressures, led by environmental, social and governance (ESG) desires for cleaner energy, could impact the Group's longer-term partnering with stakeholders such as investors, insurers and other key suppliers, if they reduce their involvement or move away completely from offering services to the Group while it continues to work in the oil and gas sector.<br><br>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 supply chain is impacted by world events and rising inflation as well as increased demand. There is a risk that price increases and availability issues could prevent the Group from meeting client demands. Any default by the supply chain or increase in pricing could impact a project's schedule as well as negatively impacting the Group's financial performance.<br><br>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 considerations. These, as well as other variable factors, are outside the Group's control but can have a direct impact on the operational and financial performance of the Group. | 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 projects as they progress towards construction. Following contract award, the Group can 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 Group has trialled alternative fuels on various vessels across the fleet and is positioned to make a change once a globally available alternative is determined. One vessel in the fleet has undergone hybridisation conversion with three other hybrid vessels joining the operational fleet in 2024. As well as this the Group utilises its carbon estimator tool in all client FEED and study work scopes to enable its clients to reduce the impact of the fleet during the project installation phase.<br><br>The financial strength and solvency of our clients and suppliers is a specific area of focus before entering into contracts. The Group has successfully managed its cost base and continues to look for ways to improve efficiency and delivery through the implementation of digitalisation and standardisation. A potential increase in demand is managed through supplementing the fleet with the use of third-party vessels. Beyond the fleet, the Group engages with key stakeholders to explain the Group's approach and initiatives on energy transition, climate change and ESG to maintain long-term alignment on economic activities. We also work with our clients and suppliers to ensure that risk on pricing and availability is addressed through contractual measures.<br><br>The Group seeks to diversify selectively into new markets, including emerging energy markets, and has a diverse portfolio of projects which allows an element of mitigation across its global markets. |



Market risk continued

| Risk | Mitigation |
| --- | --- |
| **Competition**<br>The Group faces competition from time to time to win contracts 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. Depending on the market cycle, less favourable 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.<br><br>Furthermore, the competitive landscape could include 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 promote and maintain industry-recognised balanced contracting forms.<br><br>The Group continues to partner with key clients and form 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.<br><br>Achieving a balanced allocation of risk remains central to profitability in the offshore wind sector and Seaway7 remains disciplined in this area and has the necessary expertise and capabilities to deliver complex projects and market its EPCI track record. Its versatile fleet and track record are differentiators in relation to smaller contractors or new entrants, and position the Group well to continue working with clients across the sectors and to maintain contractual discipline to achieve a balanced, manageable risk profile. |
| **Geographic**<br>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:<br>• economic instability<br>• legal, fiscal and regulatory uncertainty and change, including individual countries' commitments, targets and measures to address climate change<br>• onerous local content obligations<br>• sanction and export controls<br>• civil or political unrest, including war<br>• 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. |

## Risk Management continued

### Business environmental risks

| Risk | Mitigation |
| --- | --- |
| **Technological innovation**<br>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 create sustainable value by delivering offshore energy transition solutions. To make this possible the Group differentiates itself by focusing on early engagement and system innovation, collaboration and partnerships, integrated services, sustainable delivery, digital solutions, and enabling products. 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 or achieve its targets and objectives of making possible the delivery of offshore energy for today and tomorrow.<br><br>The Group's ambition for proactive participation in the energy transition is focused through two key areas: the continuous evolution of oil and gas, and renewables and emerging energies. Technology advancements are key to progressing in these areas, where the risks include investing in or developing technology for one or multiple areas identified which becomes superseded or immediately obsolete.<br><br>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.<br><br>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 adherence to industry engineering standards and codes, technical readiness levels and contractual gate controls operated by knowledgeable and experienced Subsea7 personnel.<br><br>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. |



### Business environmental risks continued

| Risk | Mitigation |
| --- | --- |
| **Environmental sustainability**<br>The Group is committed to delivering onshore and 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 are moving at a pace that will require very timely and effective change which the Group will need to deliver at pace and integrated with operational delivery commitments to its clients. External stakeholders such as the financial markets, insurers, investors and suppliers may have their own ESG commitments that include reducing their involvement with oil-and-gas-related companies in favour of other 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, innovative programmes and industry sector diversification that reduce both the Group's and its clients' carbon emissions. Furthermore, the Group has an Environmental Management System that will underpin and consolidate its efforts to meet its targets and expectations.<br><br>Throughout 2023 the Group continued to prepare for reporting in compliance with the EU Corporate Sustainability Reporting Directive and currently participates in the CDP, the UN Global Compact and the Building Responsibly frameworks. More information on the Group's efforts and initiatives can be found in the Group's 2023 Sustainability Report. |

### Organisation and management risks

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| **Climate**<br>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 the energy transition, demonstrating commitment to a more sustainable business environment both internally and also to support its clients' objectives. The Group recognises the impacts of climate change and the potential effect on its business, 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:<br>• operational and financial risks relating to the effect of climate change, for example cost increases associated with alternative onsite fuel sources, or the introduction of carbon taxes<br>• regulation and supervision of climate-related risk in the financial sector, which could lead to challenges in accessing financial capital<br>• 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<br>• the availability of sufficient volumes of alternative fuels that are commercially viable and which can be sourced globally to support our goal of reducing Scope 1 and 2 emissions. | The Group is committed to finding more efficient ways of working and investing in solutions that lower the Group's greenhouse gas emissions. Most 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. The Group has continued with its vessel hybridisation programme and has trialled alternative fuels, which confirmed compatibility once such fuels become available on a commercial scale. Onshore, the Group is implementing a programme which includes a transition to clean energy.<br><br>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 both traditional and emerging energies where there continues to be a requirement for a subsea infrastructure. |

## Risk Management continued

### Organisation and management risks continued

| Risk | Mitigation |
| --- | --- |
| **People**<br>The Group, like many businesses, carries the risk of failing to attract and retain suitably skilled and capable personnel across all business units at a time when societal preferences, particularly in the younger demographic, are towards opportunities in energy transition rather than oil and gas. Failure to attract or retain talent or to maintain a collaborative working environment could adversely impact the Group's ability to execute projects and its future growth prospects.<br>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 from the Group's 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 subcontractors 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 child labour, slavery and human trafficking, and other types of forced labour. | The Group's commitment to lowering its own emissions but also finding solutions to support a lower-carbon energy transition, and its strong presence across all offshore energy types including renewables and emerging energies, is a differentiator. Having the ability to offer career opportunities across both business units, as well as offering modern and flexible working arrangements, continues to generate positive employer engagement.<br>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.<br>The Group monitors attrition by function and geography and has developed appropriate remuneration and incentive packages to help attract and retain key employees.<br>Performance management and succession planning processes are in place to develop staff and identify high-potential individuals for key roles in the business.<br>The Group has a human rights programme designed to identify and manage human rights risks, with a particular focus on child labour, slavery and human trafficking, and other types of forced labour, consistent with the UN Global Compact and the Building Responsibly Worker Welfare Principles. With the support of external experts, it has designed in-person training for delivery to a target audience of employees across the Group who have a role to play in identifying and managing the relevant risks. The Group conducts risk assessments to identify and understand where we might find risks and supports the creation of action plans to address high-risk areas and any gaps in our policies and procedures. The Group reinforces the importance of compliance with the Group's Code of Conduct and its Code of Conduct for Suppliers by internal personnel and its supply chain respectively as well as its Human Rights Policy Statement. All three documents include clear guidance and expectations regarding human rights standards. |





| Risk | Mitigation |
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| **Compliance and ethics**<br>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 bribery or corruption.<br>The Group assesses such risks, which vary across its geographical locations. The Group has identified the following as being the most significant corruption risks it faces:<br>• small bribes and facilitation payments, especially in relation to the movement of vessels, people and materials<br>• illicit enrichment of public officials through hidden interests in local partners or suppliers that local content laws require us to use<br>• bribery to win work<br>• bribery to get variation orders approved<br>• bribery to get work certified or paid.<br>The above risks may increase when working with partners or third parties. These risks are inherent in our sector, in particular in countries where local content requirements are significant.<br>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 for it (including suppliers and other third parties). These policies are periodically updated to ensure they remain current.<br>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, and an annual Integrity Day for employees, raise awareness, highlight the potential consequences and empower and embed a culture of integrity. Employees are encouraged to raise concerns about possible non-compliance through an externally administered whistleblowing line. 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.<br>A committee comprising the members of the Executive Management Team sets objectives for the implementation and continual improvement of the programme and monitors progress. Regular reports are provided to the Board of Directors.<br>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. |

## Risk Management continued

### Organisation and management risks continued

| Risk | Mitigation |
| --- | --- |
| **Information and operational technology cyber risks**<br>The Group's operations depend on the availability and security of a number of key information technology (IT) and operational technology (OT) systems. In 2024 the Group will be upgrading its ERP system, SAP, to SAP S4. The ERP system is an essential operating system for our business. The risks of not managing the upgrade of this critical system effectively could result in pro-longed outages leading to significant business interruption, loss of data, unplanned additional time and expense and reputational damage. 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. Such risks include but are not limited to:<br>• unauthorised access to key operational, financial or corporate systems<br>• malware<br>• theft and misappropriation of sensitive information<br>• fraud attacks<br>• data management and non-compliance with legislation such as the EU General Data Protection Regulation (GDPR)<br>• increasing use of IT to interconnect with multiple stakeholders and the possibility of such interconnectivity being disrupted to their detriment<br>• denial of access to or utilisation of assets with the risk of a potential loss or damage event<br>• emerging threats, including advanced attacker tactics and techniques, and the use of social media and Artificial Intelligence.<br>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, potential physical harm, loss of client and shareholder confidence and regulatory fines. | The Group has highly skilled teams managing its critical systems and processes, utilising both in-house capabilities and external specialists to respond to system outages and to ensure the smooth transition and delivery of any upgrades such as SAP S4. 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 keeps abreast of risk intelligence by engaging market-leading specialists where appropriate.<br>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 and 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 the effectiveness of recovery plans.<br>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 combat attempted fraud. These policies are regularly reviewed to ensure they continue to address existing and emerging information security, cyber maritime and cyber crime risks as well as GDPR.<br>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.<br>The Group's Executive Vice President of Projects & Operations has responsibility for ensuring the setting and implementation of the Group's cyber security strategy. This is reported through the Executive Risk Committee which reports to the Group's CEO on all matters of risk, and to the Board of Directors on a six-monthly basis. Niels Kirk is nominated as the Board's focal point for cyber security. |

### Delivery and operational risks

| Risk | Mitigation |
| --- | --- |
| **Bidding**<br>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; risks include the inability to maintain price validity from our supply chain if there is commodity price fluctuation, rapid price escalation, delay in project award, or re-phasing which leads to schedule amendments.<br>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.<br>Our client's financial strength and the economic viability of their projects can be impacted by multiple factors which are outside the control of the Group, and in some instances clients may request specific payment terms or payment deferrals which can have a negative impact on the financial position of the Group. | 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, contract terms and financial milestones are based on the Group's commercial contracting standards and market conditions and where appropriate the financial due diligence of the parties involved. Where possible key supply chain or subcontractor terms and conditions are negotiated alongside the main client contract to reduce the risk of non-alignment of contracting terms or the absence of price certainty. Volatility in commodity prices can be mitigated by including contractual adjustment mechanisms with both clients and suppliers.<br>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**<br>Delays (including those related to clients' final investment decisions), suspensions, cancellations, re-phasing or changes to scope or content of 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 contractual terms, including, where possible, provision for cancellation fees or early termination payments. |

## Risk Management continued

### Delivery and operational risks continued

| Risk | Mitigation |
| --- | --- |
| **Joint ventures**<br>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 Subsea7 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 (HSSEQ) standards and its Code of Conduct obligations. The Group has established appropriate governance and oversight mechanisms to monitor the performance of its joint ventures and joint venture partners with regard to such matters. |
| **Project execution**<br>The Group executes complex projects and a failure to have the best people, assets and technological solutions and engineering procedures to deliver these could result in failure and be damaging to the Group both reputationally and financially. As well as project execution, 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 expose the Group to operational and financial losses that are material to the Group's overall performance, position and reputation.<br><br>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.<br><br>The Group must also continue to innovate and develop products and solutions that allow it to deliver lower-carbon developments as well as enabling the growth of renewables and emerging energies. Errors or defects in product design and production could 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 continues to promote a balanced approach to risk allocation and has supported the International Maritime Contractors Association in producing a set of contractual principles for the renewables industry. The Group is selective of which projects it undertakes, ensuring that those it takes on have a balanced risk profile where the risks retained are understood and can be managed.<br><br>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.<br><br>Innovative products are commercialised after rigorous testing that is subject to a hierarchy of industry-recognised technical readiness level reviews. |



### Delivery and operational risks continued

| Risk | Mitigation |
| --- | --- |
| **Supply chain**<br>In the current period 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 hence insufficient capacity causes a deterioration in the quality of the product or service, extended lead times or the inability to secure products. The Group is also at risk of reduced choice as suppliers adapt their own business strategies towards sustainable and alternative energies. A severely diminished pool of suppliers would affect the Group's operational and financial performance.<br><br>Failure of a key supplier to perform predictably could result in disruption to the Group's ability to complete a project in a timely manner. Suppliers could also run into financial difficulty affecting their ability to perform, and in more severe scenarios this could result in suppliers being made insolvent. Other factors such as pandemics, extreme weather, financial uncertainty, civil unrest, political uncertainty, war or other unforeseen external factors could cause significant interruption affecting elements of the supply chain, affecting our ability to deliver our clients' projects, causing disruption to ongoing Group capital expenditure initiatives such as vessel construction, dry-dockings and upgrades.<br><br>The war in Ukraine and consequent sanctions on Russia and other geopolitical challenges continue to impact on energy shortage and more recently have been disrupting international maritime traffic. These are factors contributing to rising general inflation globally, resulting in increased costs as well as more cost volatility within our direct and indirect supply chain. Unexpected increases in supply chain pricing could result in higher project costs that impact the Group's financial performance.<br><br>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 would be borne by the Group. | 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. Long-term contractual arrangements and the use of collaboration models (as appropriate) allow us to secure supplier commitment and access in the current market as well as into the future, especially with our key category suppliers. We are developing supplier strategies, and partnerships with key suppliers, to service our energy transition clients. We are diversifying our supply chain by finding new suppliers, in some cases in different industries and new regions, which helps the Group to mitigate the risk of key suppliers exiting the sector.<br><br>Our supplier sourcing, qualification, screening, monitoring and assurance processes and procedures are designed to identify potential risks in our supply chain. Regular engagement with our key suppliers and ensuring the relevant topics are on the agenda help to reinforce our shared commitment to building long-term value through sustainable supply chain management.<br><br>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 entering into project-related commitments. We are leveraging digital tools such as SAP Ariba throughout the entire supplier lifecycle, to improve productivity and maintain reasonable levels of assurance that we can continue working with such suppliers. 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 any interruptions through appropriate contractual terms and conditions. These may include back-to-back supplier pricing, index linked pricing and a balanced cost escalation mechanism where appropriate. |

## Risk Management continued

### Delivery and operational risks continued

| Risk | Mitigation |
| --- | --- |
| **Supply chain continued**<br>Increasing legislative requirements in relation to ESG topics imposed on the supply chain, coupled with the potential failure of suppliers to accurately measure and provide reliable information on their ESG performance, puts the Group at risk of working with suppliers who are not wholly compliant with the applicable legislation and could limit the Group's ability to accurately report its own performance. | If necessary, appropriate guarantees or performance-related bonds are requested from our key suppliers. As part of the supplier selection process the Group engages qualified quality assurance and quality control specialists and there is close collaboration between supply chain management and engineering. Both quality and engineering functions also play an active role throughout the duration of a project, with teams on the ground at key supplier locations to ensure quality standards are met and assurance policies followed as well as the timelines for delivery.<br><br>We are engaging with our key suppliers to better understand their ESG commitments and where they are on their journey towards meeting their objectives. This allows us to prioritise and focus on ensuring that we work with a sustainable supply chain, in line with the Group's own priorities and focus areas. |
| **Communicable or infectious diseases including pandemics**<br>Communicable or infectious diseases can expose the Group to operational disruption and increased costs as a result of unexpected business interruptions or measures required to ensure the safe continuation of the business. The risks to the Group include additional costs to continue normal operational activities, revised arrangements to work safely in accordance with changes made in the law, quarantining or isolating 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 also at risk of interruption caused to the supply chain, which is also likely to be impacted in the event of a pandemic or disease outbreak. | The Group first and foremost adheres to the laws, guidelines, and protection, health and mitigation measures set out by each country in which the Group operates and in accordance with a vessel's 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 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 could be 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 can be 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**<br>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 transit routes, the location of work, project specification and installation methods – as well as addressing the location and assets utilised.<br><br>A failure to manage these risks could expose our people and those who work with us to security breaches, illness, injury or harm.<br><br>It could also 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 working in the affected country.<br><br>The worldwide nature of the Group's 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.<br><br>The Group is committed to protecting the health, wellbeing 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.<br><br>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. |

## Risk Management continued

### Delivery and operational risks continued

| Risk | Mitigation |
| --- | --- |
| **Fleet management**<br>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. Risks also include 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.<br><br>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 or dry-docking activities.<br><br>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 its total fleet costs.<br><br>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.<br><br>The Group also divests assets from time to time, either by sale for onward use or in some cases for decommissioning. It is important that assets are divested responsibly and that the Group takes reasonable measures to ensure it mitigates any future liabilities and in the case of decommissioning activities that it engages with responsible third parties who comply with the appropriate regulations including the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships. | 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 or has to navigate, and monitors developments to ensure it can respond appropriately.<br><br>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.<br><br>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 the owners.<br><br>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.<br><br>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 when it anticipates acceptable financial returns on its investment.<br><br>The Group mitigates the risks associated with future liabilities of divested assets through a know your client or supplier due diligence process and ensuring the contractual agreements contain detailed provisions associated with the onward utilisation or the minimum requirements to be met for any near-term decommissioning activities. |

### Financial risks

| Risk | Mitigation |
| --- | --- |
| **Revenue and margin recognition**<br>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.<br><br>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 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 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. |

## Risk Management continued

### Financial risks continued

| Risk | Mitigation |
|---|---|
| **Cash flow and liquidity**<br>The Group's working capital position will be affected by the timing of contract cash flows, because 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.<br>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 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.<br>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.<br>The availability of short-term and long-term external financing is important to help meet the Group's financial obligations as they fall due. In the event that such financing were 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.<br>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 control and for reviewing its effectiveness. The Board of Directors recognises that any system of internal control 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 control 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 bi-annually to review the risks identified as impacting or having the potential to impact the Group's operations and strategic objectives, and to discuss emerging risks.