2022 Financial Performance

Revenue

\$5.1br

Cash and cash equivalents

\$646m

Adjusted EBITDA

\$559n

Dividends and share repurchases

\$78m 2021: \$93m

Net income

\$36m

Order intake

\$7.1bn

Diluted earnings per share

\$0.1\$

Backlog

\$9.0bn

Our vision and values framework

Our vision

To make possible the global delivery of offshore energy for today and tomorrow.

Our strategy

We create sustainable value by delivering the offshore energy transition solutions the world needs.

Our Values

- 🔊 Integrity
- **Sustainability**
- Performance
- **Collaboration**
- Innovation

How we make possible

- / Early engagement and system innovation
- / Collaboration and partnerships
- / Integrated services
- / Sustainable delivery
- / Digital solutions
- / Enabling products

GOVERNANCE

CONSOLIDATED FINANCIAL STATEMENTS

SUBSEA 7 S.A. FINANCIAL STATEMENTS

GLOSSARY

Positioned to thrive through the energy transition



Subsea7 delivered a good performance in 2022 driven by an accelerating recovery in the subsea market.

To the shareholders of Subsea 7 S.A.

In 2022, our Group revenue increased 3% to \$5.1 billion, driven by higher activity in the subsea business, offsetting a decline in renewables. Group Adjusted EBITDA of \$559 million resulted in an EBITDA margin of 11%, broadly in line with last year. Diluted earnings per share were \$0.19, an improvement from \$0.11 in 2021. Order intake increased 17% year-on-year to \$7.1 billion, taking the backlog above \$9.0 billion for the first time since 2014, with improved pricing in both subsea and renewables.

Positive outlook underpinned by the drive for energy security

We began 2022 with a positive view of the outlook for the Group, supported by a solid backlog and a significant increase in tendering activity. After years of under-investment by oil and gas producers, growing global energy demand, and with limited threat of new vessel additions by the industry, the stage was set for durable improvement in the dynamics of the subsea market. At the same time, the pipeline of opportunities in fixed offshore wind continued to expand.

The world was shaken by the conflict in Ukraine that began in February 2022. The consequent threat to Europe's energy security underscored the need for investment in energy infrastructure, both traditional and renewable. The coincident increase in raw material prices, compounded by a rise in general inflation and interest rates, presented challenges for industries globally, including our own, and a handful of the industry's marginal projects were postponed. However, there remains a vast portfolio of potential developments in both subsea and offshore wind with attractive economics, all of which will be necessary if the industry is to meet the demand for global energy and provide energy security in Europe.

Making the energy transition possible

Subsea7 is well-positioned to help the world meet this challenge while working towards Net Zero, with a strong position across the offshore energy landscape from lower-carbon oil and gas, carbon capture and fixed offshore wind, to emerging energy sources such as floating wind and future opportunities in hydrogen. We are playing a key role in supporting our stakeholders, and the world, in achieving these energy transition goals. With decades of experience in the traditional energy market we are working alongside our clients and supply chain to reduce the emissions intensity of offshore hydrocarbon developments, both during the installation phase and over the life of the field. Our own emissions will be reduced through hybridisation and digitalisation of our vessels, as well as through the use of biofuels, where available. Our subsidiaries, Xodus and 4Subsea, are helping us to deliver solutions that reduce the carbon emissions of our clients' developments and we utilise our Carbon Estimator tool in every study we undertake. We are also actively involved in installing new carbon capture, utilisation and storage (CCUS) infrastructure to increase the availability of carbon sequestration, which will be key to the world's efforts to tackle climate change. The lower-carbon oil and gas and CCUS markets are key opportunities for Subsea Integration Alliance, our partnership with SLB (formerly Schlumberger), which will be strengthened by SLB's agreement with Aker Solutions to form a new subsea hardware company.

While hydrocarbons are likely to remain part of the energy mix for some time, with lower-carbon gas replacing more highly polluting fuels such as coal, offshore wind will be an important contributor to the world's push to Net Zero. Over the past 10 years we have supported major developers in the construction of over 10GW of offshore wind power - enough to power 12 million homes including the installation of over 1,000 wind turbine foundations and nearly 2,000 kilometres of inner-array cables. Towards the end of 2023 we will take delivery of two state-of-the-art installation vessels that will enable larger turbines to be installed more efficiently, helping to improve wind farm economics and provide cost-efficient, renewable energy for communities in Europe, Asia and the US. In common with many industries in the early stages of development, the offshore wind market is taking time to find a balance in the sharing of risk and reward between its stakeholders. In 2022, Subsea7 executed some challenging projects and we have applied the learnings to further enhance our processes. I am confident that this industry will offer the Group a valuable source of long-term growth with an attractive returns profile. In addition, our strategies in emerging energies will continue to place Subsea7 at the heart of the energy transition for decades to come.

Progress in delivering our sustainability targets

Sustainability is one of our core Values and underpins our strategy. This year we continued to make progress against our ambitions across our six priority areas, as well as in our sustainability disclosure, and it is gratifying to see this recognised by the ESG rating agencies. In December, Subsea7 achieved the fifth highest score of the 92 companies in the sector assessed by S&P Global. This is material progress from our position last year and indicative of our commitment to advance our sustainability performance. The Group's fourth Sustainability Report, including our TCFD disclosure, is published concurrently with this Annual Report. Our fleet of 36 vessels accounts for over 90% of Subsea7's emissions and is therefore the focus of many of our strategies behind our ambition to target Net Zero by 2050. The adoption of cleaner fuels is a key component of our pathway to reduce our fleet emissions and this year I was pleased that we completed a successful trial of biofuels on *Seven Oceanic*, with an estimated CO_2 saving of around 30%. Being able to demonstrate this capability and operability is vital in promoting lower-carbon alternatives, as they become more widely available at scale to the market.

Inspiring people

In May 2022 we published 'Inspiring People: The Story of Subsea7' which celebrates 20 years of our company and 75 years of history through the predecessor companies that combined to make the Subsea7 of today. Our rich heritage of entrepreneurial spirit and innovation has enabled us to achieve major milestones, from deploying the industry's first dedicated pipelay barge in the shallow water Gulf of Mexico, to installing Angola's first real deepwater field and Brazil's first subsalt development. The industry is constantly evolving, but our passion for tackling challenges and engineering solutions will ensure Subsea7 remains at the forefront of the offshore energy landscape. An online copy of the book is available on our website.

Shareholder returns

In 2022, Subsea7 generated net cash of \$55 million and ended the year with a strong balance sheet with \$33 million of net cash including lease liabilities of \$257 million. During the year we returned \$78 million to shareholders through dividends and share repurchases, including our first regular dividend of NOK 1.00 per share.

In the year ahead, the Group will invest in enhancing its wind fleet, as well as in the subsea hardware joint venture between SLB and Aker Solutions. It is also expected that the subsea business will invest in working capital associated with two projects in Brazil and Saudi Arabia. While these investments dampen the potential for excess cash generation by the Group, the Board will recommend a NOK 4.00 per share dividend at the AGM on 18 April 2023. In arriving at this proposal, the Board took into consideration the financial performance and prospects of the Group, the NOK 1.00 regular dividend policy commitment and the status of the 2022 share repurchase programme. One of our main objectives for the future is to improve the Group's return on capital employed, which remains low while our clients enjoy the benefits of higher energy prices and industry efficiencies, including the services we provide. This process has already begun, with higher prices and margins embedded in recent awards and ongoing tenders, including in fixed offshore wind. It is envisaged that the Group will be capable of generating significant excess free cash flow from 2024 onwards and the Board is committed to returning excess cash to shareholders.

As well as delivering on our strategy to return capital to shareholders, Subsea7 is committed to paying taxes in a fair and transparent manner in the countries in which it operates. In 2022, our operations resulted in a corporate cash tax contribution to tax authorities around the world of \$103 million (with an effective tax rate of 73%), bringing our total corporation tax contribution over the past decade to \$1.2 billion.

Our Values



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.



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.

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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.

My thanks

On behalf of the Board of Directors, I would like to thank our people across the globe for their continued dedication and efforts in delivering the complex projects that are the bedrock of Subsea7. I am also grateful for our strong relationships with both our clients and our suppliers. Together we have navigated the challenges of 2022 and I look forward to sharing in the successes of the years ahead. Finally, I would like to thank our shareholders for their ongoing support as we execute a strategy that embraces the energy transition to deliver long-term value accretion.

Kristian Siem Chairman GOVERNANCE

GLOSSARY

Gathering momentum



Our Subsea and Conventional business experienced continued positive momentum in 2022. High tendering activity resulted in another year of strong order intake, and tightening vessel availability supported an improvement in pricing over the course of the year.

In our Renewables business, the pricing and risk-sharing of new offshore wind contracts improved during the year, driven by high forecast demand for our services and a shortage of installation vessel capacity.

A good performance in a volatile macro environment

Overall, Group revenue increased 3% to \$5.1 billion, driven by growth in Subsea and Conventional, partially offset by a decline in Renewables. Revenue in Subsea and Conventional increased 6% and the Adjusted EBITDA margin improved slightly from last year to 13.6% as we continued to execute contracts awarded prior to the market recovery. Good progress was made on the fast-track Sakarya project in Türkiye, as well as Bacalhau and Mero 3 in Brazil. Revenue in Renewables fell 11%, driven by the phasing of the major Seagreen project, which neared completion at the year end. The Renewables margin remained low at 0.4% and was adversely impacted by challenging projects in Taiwan and Europe. Overall, the Group's Adjusted EBITDA increased 7% to \$559 million.

Cash generated by the Group benefited from a better-thanexpected reduction in working capital of \$28 million due to a shift in scheduling of certain projects with extended payment terms, as well as active cash management. Capital expenditure of \$231 million related mainly to our two new build offshore wind vessels. Net cash was \$33 million, including lease liabilities of \$257 million, an improvement from a net debt position of \$55 million in the prior year.

Our tendering teams were very active in 2022 and new order intake reached \$7.1 billion, equivalent to a book-to-bill of 1.4. This resulted in a backlog of over \$9 billion, the highest level since 2014, and a tightening of vessel availability for 2024 onwards, allowing an increase in pricing. Significant new awards during the year included Búzios 8 in Brazil, the Yggdrasil (formerly NOAKA) project in Norway, and selection as preferred supplier for the East Anglia THREE offshore wind project in the UK.

Reaffirming our market-leading capabilities

In 2022, we enhanced our subsea strategy with the announcement of an agreement to invest in a new subsea hardware joint venture between SLB (formerly named Schlumberger) and Aker Solutions. Upon completion of the transaction in 2023, the joint venture will replace SLB as our partner in Subsea Integration Alliance, which will be extended to 2033. The planned investment by Subsea7 of \$306.5 million for a 10% stake in the joint venture will strengthen the relationship with our partners in the alliance as well as yielding an attractive expected return on investment on a standalone basis.

Integrated solutions, offered through Subsea Integration Alliance, have been a cornerstone of our subsea strategy, yielding contract awards worth \$4 billion since January 2020, and our investment will ensure this remains a durable source of competitive differentiation. Alongside our strategies to digitalise and hybridise our fleet, and the continual investment in product innovation, the evolution of our integrated offering will ensure that Subsea7 remains a market leader in the subsea sector, positioned to deliver strong cash flow and returns for shareholders.

Our renewables business experienced a hiatus in new awards for much of 2022, largely due to the delay to the UK contract for difference allocation round, but underlying interest in our services remained strong. Tendering activity remained high and we were selected as preferred supplier for two major UK EPCI projects, together worth over \$1 billion – SSE's Seagreen 1A and ScottishPower Renewables' East Anglia THREE. These are expected to convert to firm EPCI awards upon client sanction in 2023. In 2022, we continued to demonstrate the benefits of our EPCI contracting model to our clients with progress on the first phase of the Seagreen project running on time and to budget. The adoption of this mode of contracting for Seagreen 1A and for the East Anglia THREE development further validates this strategy that allows us greater visibility and control in the delivery of these complex projects.

A positive market outlook

With established positions in the traditional oil and gas, maturing fixed offshore wind and emerging floating wind markets, Subsea7 is well-positioned for both near-term and long-term growth. In 2023 we expect revenue and Adjusted EBITDA margins to be higher than 2022. We expect the growth and cash generation of both the subsea and wind businesses to accelerate from 2024 onwards.

In Subsea and Conventional we are focused on capitalising on the current upturn in the oil and gas industry to maximise cash generation and increase returns to shareholders. This has been enabled by our investment over the past decade in the industry's most capable and modern fleet of vessels that can address the full subsea installation market, including carbon capture, with a low requirement for ongoing investment. Bidding activity in the subsea market remains high, with a tender pipeline of around \$15 billion, up 20% on the prior year. Availability of installation capacity is already tight for 2024, and tightening for 2025, resulting in improved margins on contracts recently awarded and under negotiation.

In Renewables we saw a positive move in the pricing and risk profile of contracts during 2022 and I am confident that recent awards will drive an improvement in our margins and returns in fixed offshore wind. The delivery in the next year of two new build state-of-the-art installation vessels will enable us to capture a leading share of this high-growth market over the coming decade. This will be augmented by our involvement in the nascent markets for emerging energies.

Overall, I am pleased with the progress that Subsea7 made in 2022 and confident that the Group is well-positioned to capture both near-term and longer-term opportunities as we deliver the infrastructure required to move molecules and electrons across the energy landscape.

John Evans Chief Executive Officer

Make Possible

In 2022 we launched Make Possible, a new way of defining our strategy and our energy transition journey. The dual elements of 'Lower-Carbon Oil and Gas' and 'Renewables and Emerging Energy' are illustrated on pages 10 and 11 and discussed on pages 12 to 15.

Stronger together

Collaborations and partnerships are firmly part of our DNA and strategic priorities. They enable us to form deep relationships with clients, manage a large and complex supply chain and work with local stakeholders, communities and industry bodies. Through collaborations, partnerships and alliances the energy industry will more effectively meet the challenge of climate change and the energy transition.

Aker BP Subsea Alliance

In December 2022, Aker BP sanctioned the development of its Yggdrasil (formerly NOAKA), Skarv and Valhall PWP-Fenris projects with a strong focus on low emissions. Through early engagement with Aker BP, and subsea alliance partner Aker Solutions, together we optimised field economics against the backdrop of above-normal cost inflation while minimising the development's carbon footprint including the use of power from shore.

The awards, worth approximately \$1.8 billion to Subsea7, are testament to the benefits of a collaboration that enriches the engineering and design process with the alliance's collective experiences and know-how built up over decades of successful operations in the subsea industry.

Siemens Energy

In January 2023, we announced a new partnership with Siemens Energy to develop innovative technology for the floating wind market. The technology will enable the connection of multiple wind turbines into one subsea hub, allowing for more flexibility in floating wind farm architecture and construction. The flexibility offered will contribute to lowering the cost of developments, while also delivering higher power availability by enabling efficient maintenance of floating wind systems.

Integrating the skills and capabilities of two industry leaders allows us to accelerate innovation and provide the industry with the next generation of enabling products to unlock the potential of floating wind energy.



GOVERNANCE

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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.



clients supported by Subsea7 in 2022

effectively with our existing and potential new shareholders.

investment firms met in 2022

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Our people

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

~5,000 attendees at the Festival of Learning in 2022

Society

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

6,691

employees receiving compliance and ethics training in 2022

Understanding our operating environment

The oil and gas market

Commodity prices were volatile during 2022, driven by changing investor sentiment regarding the outlook for global economic growth, including the demand for oil and gas. The Brent oil price ended the year up 10% at \$86 per barrel, but ranged from \$75 to \$137 per barrel during the year. Likewise, the European (TTF) gas price ranged from €68 to €339 per megawatt hour. The primary drivers of volatility included the availability and acceptability of energy supplies from Russia, and Covid-19-related restrictions and weather which both impacted expected demand.

Despite the volatile economic backdrop, the market for subsea and conventional services strengthened throughout the year, supported by the drive for long-term energy security in Europe. Tendering activity remained at high levels, although it continued to be concentrated in Brazil, Norway and the Gulf of Mexico. The pace of contract awards increased in 2022 and, overall, the three main players in Subsea7's subsea market recorded order intake of \$23 billion in 2022, up 50% from \$15 billion in 2021.

Assuming no material change in the economic outlook, the market for Subsea and Conventional is expected to continue recovering over the coming years. As illustrated below, the global subsea market is expected to grow from \$25 billion in 2022 to \$28 billion in 2023 and \$32 billion by 2025, equating to a compound annual growth rate of 8%.

The hydrocarbon industry remains a key provider of energy under all probable energy transition scenarios, with those markets benefiting from the most attractive returns – including deepwater provinces of Brazil and the Gulf of Mexico, certain basins onshore North America, and the Middle East – likely to remain most resilient over the very long term. Against this backdrop we anticipate continued demand for our subsea services into the next decade, with a growing emphasis on lower-carbon gas, and an accelerating push to minimise the emissions footprint of our clients' developments, including through carbon capture and electrification.

The offshore wind market

The outlook for renewable energy remains positive for the decade ahead as the world transitions to cleaner sources of energy. Growth in the offshore wind market has accelerated, driven by ambitious national targets for installed capacity and generally supportive political and regulatory regimes. This has been underpinned by pressure to address climate change and, more recently, the drive for energy security. Continually improving economies of scale have made offshore wind an attractive source of renewable energy.

The outlook for new annual installations and associated capital expenditure in the fixed offshore wind market is strong, with an anticipated compounded annual growth rate of 18% between 2020 and 2035. By 2035, a global installed offshore wind capacity of over 300GW is forecast, approximately 12 times the 25GW capacity that was globally installed by the end of 2020. Tendering activity for fixed offshore wind projects remained high in 2022 with a focus on the European and US markets.

The main challenges remain the pace of permitting, the maturity of the supply chain in certain regions, and, in the US, ensuring that execution strategies are Jones Act compliant.



Global subsea market Billion USD

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Risk management will be key 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

Subsea7's strategy includes longer-term opportunities in certain emerging energy markets including carbon capture and floating wind. Carbon capture, utilisation and storage (CCUS) is likely to be a key component of the world's ability to reach Net Zero carbon emissions and Rystad estimates that the amount of CO₂ captured per year will near 700 million tonnes by 2030 from 40 million tonnes in 2022. While the precise size of the CCUS market for Subsea7 is not yet fully-defined, it represents an incremental opportunity for our existing subsea business. The market for floating wind remains nascent, with most activity focused on pilot, noncommercial developments. However, this market is expected to make a strong contribution to growth in the offshore wind market, representing over 26GW by 2035. In the long term, hydrogen potentially will become a significant market, and we are in the process of defining the size of the opportunity.

Inflation and our supply chain

As a consequence of the conflict in Ukraine, as well as a sharp uptick in general inflation, the price of raw materials and labour increased in 2022. Subsea7 managed the risk of supply chain price inflation through various contractual mechanisms including back-to-back supplier pricing, index-linked pricing and escalation clauses in our contracts. Supply chain management is a core competency of Subsea7 in its delivery of complex projects with vast global supply chains and, while the environment was challenging, we experienced no material detrimental impact on our results. Subsea7's main exposure to inflation lies in its own labour cost, which in 2022 represented 23% of our total operating expenses. Budgeted wage inflation is factored into our project tenders or may be passed to the clients through escalation clauses.

The re-opening of China in 2023 may drive another increase in raw material prices, which could affect tendering for projects with marginal economics. However, we expect the majority of bids to continue to proceed, supported by favourable return on investment for our clients. A greater challenge has been the reduction in depth and quality of certain areas of our supply chain, with the departure from the subsea industry of some key suppliers, along with the financial fragility of some remaining suppliers. The Group actively monitors the financial health and performance of its subcontractors and suppliers and, to date, has been able to manage this risk effectively.

Windfall taxes

As high energy prices impacted the cost of living around the world in 2022, governments sought to finance consumer subsidies through the introduction of windfall taxes on energy producers. The uncertainty this has introduced to project economics may have the greatest impact on our clients in the UK. While our subsea activity in the UK was already low, the threat of windfall taxes may affect the few projects in the tender pipeline in the UK North Sea. The impact may also be felt in our UK offshore wind business, where our clients are reviewing project economics.



Our world

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

Grid Supply

Grid Tie-in

Off Grid Electrification

Continuous evolution of Iower-carbon oil and gas

Subsea7 is playing a significant role in the offshore energy transition, making lower-carbon oil and gas possible through the continuous evolution of subsea and conventional developments, life-of-field services and the electrification of offshore facilities.

Enabling the growth of renewables and emerging energy

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



GLOSSARY

Continuous evolution of lower-carbon oil and gas

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

Integrated SPS-SURF solutions \$400 Awards net to Subsea7 since January 2020

Carbon Estimator



Studies that included an emissions assessment

Our ambition 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 pioneering 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, our partnership with SLB.

During 2022, we agreed to invest in the new subsea hardware joint venture between SLB and Aker Solutions that will become our new partner in Subsea Integration Alliance. The transaction is expected to close in 2023. Subsea Integration Alliance will continue to focus on utilising new technologies to deliver optimal subsea performance while reducing carbon emissions, including digitalisation of subsea projects, and the incorporation of carbon capture.

Electrification of offshore facilities

Offshore electrification, including subsea power distribution and host facility electrification, are transformative solutions in the drive to produce lower-carbon oil and gas. Clean power can be sourced from onshore grids or direct from offshore renewable energy sources such as offshore fixed and floating wind. Combining our ability to assess greenhouse gas emissions using our Carbon Estimator, coupled with over a decade of experience in offshore wind, we are well positioned to bring traditional and new energy systems together. During the year we installed inner-array cables on the Hywind Tampen floating wind project, which will supply clean energy to the Snorre and Gullfaks fields in the North Sea.

In early 2023 we agreed with Siemens Energy to jointly develop electrification solutions for floating wind developments.

Life-of-field services

Subsea7 provides fully-integrated solutions, engineering services and enabling products that protect the integrity and 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.

 Leveraged the tightening market for our engineering, project management and vessels to improve the pricing and payment terms of our subsea contracts

Our progress this year

- Agreed to take a 10% stake in the new subsea hardware joint venture between SLB and Aker Solutions and extend the Subsea Integration Alliance partnership to 2033
- Advanced our digitalisation strategy with the roll-out of digital fuel systems and the development of digital twins
- Delivered a strong safety performance with one lost-time injury during the year (2021: 14)

Strategic priorities for the year ahead

- Continue to improve future profitability through selective tendering
- Closely monitor and manage the subsea supply chain
- Execute major EPCI projects of Subsea Integration Alliance including Bacalhau, Sakarya, Sangomar and Scarborough
- Optimise fleet utilisation and reduce emissions by dedicating vessels to specific regions, reducing transit times, and transiting in 'eco mode'
- Restart of the Ubu spoolbase to service the Brazilian market



Project at a glance

Delivering the first offshore oil development in Senegal, enabled through our core strategies of early engagement and alliances.

- Subsea Integration Alliance responsible for the full subsea scope for the 23-well development, with a complex field layout including 44 flowline structures
- Senegalese team and suppliers established to develop local expertise and deliver comprehensive local content
- One year of continuous offshore operations with strategic assets Seven Vega, Seven Oceans, Seven Seas and Seven Sisters

Digitalisation of Sangomar

- Leveraging vessel and environmental data and analysis to enhance vessel uptime and operability during the installation phase
- Working towards the creation of a Digital Twin, including as-built (Project Twin) and life-of-field (Service Twin) data covering pipelines, to enable optimisation and streamlining of maintenance and to reduce outages
- Using digital flowmeters to provide real-time fuel consumption data from our vessels to remote dashboards, enabling analysis and optimisation

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Enabling the growth of renewables and emerging energy

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

Offshore wind

10.5GW

Cumulative installations supported by year end 2022

Hydrogen studies



Our ambition for enabling the growth of renewables and emerging energy

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 10.5GW 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 'engineer, procure, construct and install' basis or on a 'transport and install' scope.

Separately, Subsea7 has executed several floating wind cable lay projects, has invested in floating wind technology and continues to develop cost effective innovative solutions.

Carbon capture, utilisation and storage

Carbon capture, utilisation and storage (CCUS) will be essential to the world's drive to reduce CO₂ in our ecosystems.

In 2022, Subsea7 began work on a contract for Equinor's Northern Lights project that will involve the installation of a pipeline supporting the storage of 1.5mt CO₂ per year.

Xodus is currently supporting clients in the evaluation of carbon capture projects in the UK, Europe and Australia and our in-house Field Development Group has a number of early engagement scopes underway with clients on carbon capture projects.

Subsea Integration Alliance is actively developing integrated solutions that include CCUS.

Hydrogen

Subsea7 aims to play a key role in making offshore hydrogen possible, supporting the delivery of i) optimised and integrated solutions used in wind-to-hydrogen, ii) offshore CCUS to support onshore hydrogen and ammonia production and iii) offshore transportation of hydrogen.

In 2022 our Field Development Group completed our first client studies and patents in hydrogen.

Through Xodus, we are providing consulting services for hydrogen projects in a number of regions.

We will continue to work to build our position for this future market.

Our progress this year

- Reached 97% completion of the \$1.4 billion Seagreen fixed offshore wind project on time and on budget
- Awarded preferred supplier status for two major fixed offshore wind developments in the UK, worth over \$1 billion
- Ørsted joined the Salamander floating wind project as a strategic investor
- Moved into execution phase on Northern Lights carbon capture project
- Secured funding for Seaway7's new build vessel programme and working capital needs

Strategic priorities for the year ahead

- Rebalance the risk-reward of our offshore wind business to ensure improved returns
- Convert the pre-backlog of over \$1 billion in fixed offshore wind to firm awards
- Secure a major fixed offshore wind project in the US at an attractive risk-return
- Implement the carbon capture offering of Subsea Integration Alliance
- Take a focused and selective approach to floating wind that optimises risk and return in this new market
- Build on the success of our initial hydrogen studies to establish our position in this market



Project at a glance

The world's first project to develop renewable power for offshore oil and gas, providing electricity to the Snorre and Gullfaks fields in the Norwegian North Sea.

- An essential step in commercialising floating wind
- 140 kilometres offshore Norway in water depths of up to 300 metres
- Eleven 8.6MW floating turbines, for a capacity of 95MW
- Estimated to meet approximately 35% of the annual electrical power demand of the five Snorre and Gullfaks platforms
- Started producing power in 2022

Subsea7's scope

- Worked in close collaboration with Equinor and other contractors since the early design phase on installation engineering verification, hydrodynamic analysis and hazards assessment
- Utilised Seven Pacific from our subsea fleet to install six inner-array cables, totalling 13 kilometres, with a capacity of 66kV
- Installed two export cables, totalling 28 kilometres, to the Gullfaks and Snorre platforms
- Followed the success of our scope for the Hywind Scotland demonstrator project in 2017

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Delivering across our business units

2022 operational highlights

Subsea and Conventional

- 6,533 days of vessel activity with 98% up-time, equivalent to 79% utilisation
- Installed 346 kilometres of pipelines and 56 subsea structures
- Fabricated 238 kilometres of pipe at spoolbases at Vigra in Norway, Ingleside in the US and Ubu in Brazil
- Managed a supply chain comprised of over 7,500 entities in 70 countries

Renewables

- Supported the installation of 2.9GW renewables energy, capable of powering three million homes
- Installed 237 wind turbine foundations and 210 inner-array cables
- Completed the fabrication of 114 jackets for Seagreen in China and the UAE
- Performed the wind industry's first commercial monopile installation using dynamic positioning

2022 financial highlights



Subsea7 reports financial results of three business units: Subsea and Conventional, Renewables and Corporate. The Corporate business unit includes our early-stage activities in floating wind and hydrogen. While these form an important part of our strategy for the future, they did not make a significant contribution to the financial results in 2022.

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.

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. 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.

Under most energy transition scenarios oil and gas remains a crucial component in the long-term mix of energy and therefore the drive to reduce emissions from the subsea sector is an important part of the world's climate change challenge. Subsea7's **lower-carbon oil and gas** strategy is two-pronged, enabling decisions by our clients that reduce the carbon footprint of their developments as well as measuring and reducing the emissions of our own operations. Our Carbon Estimator enables an evaluation of the impact of design options on lifetime carbon emissions and has gained rapid adoption by our clients since its launch in 2021. In 2022, all our significant field development studies included analysis using the Carbon Estimator.

As well as engineering the solutions that enable our clients to reduce their carbon footprints, our strategy for **lower-carbon oil and gas** encompasses the reduction of emissions from our own operations, primarily our vessels. In 2022 we made a commitment to convert *Seven Arctic* to hybrid power which will take place at the time of the vessel's class survey in 2024. In 2022, we also ran a successful trial of biofuels on *Seven Oceanic*, proving the viability of this option with estimated CO_2 savings of around 30%. This is a significant step forward in introducing clean fuels as standard, although the challenge remains the cost and global availability at the scale we would require for our fleet.

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The Subsea and Conventional business unit is also wellplaced to enable our **renewables and emerging energies** strategy regarding carbon capture, utilisation and storage, utilising the same engineering skillset and vessel capabilities as our traditional activities. We are already actively involved in the pipelay scope of Equinor's Northern Lights project that will enable the storage of up to 1.5 million tonnes of CO_2 a year from mid-2024, and this potentially high-growth market is likely to be an important source of opportunity for Subsea7. Carbon capture is also an important element of our integrated SPS-SURF offering through Subsea Integration Alliance.

In 2022, capital expenditure in Subsea and Conventional was low, 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.

Financial results

In 2022, revenue from the Subsea and Conventional business unit increased 6% to \$3.9 billion, and the Adjusted EBITDA margin improved year-on-year to 13.6% from 12.7% reflecting the early stages of the recovery in the oil and gas industry. Work on the fast-track Sakarya project made good progress during the year and reached 89% completion by year end. We completed operations on several projects in the Gulf of Mexico including King's Quay, Mad Dog 2 and Jack St Malo 4, as well as the HOD project in Norway, Jubilee in Ghana, and three projects in Saudi Arabia.

In 2022, our Subsea and Conventional backlog grew 37% to \$8.1 billion and embeds improved project margins that are expected to drive growth in Adjusted EBITDA in the coming years. Notable new awards included the major Búzios 8 project in Brazil and contracts worth over \$1.8 billion in Norway as part of the subsea alliance with Aker BP and Aker Solutions.

Renewables

Subsea7's Renewables business unit primarily comprises Seaway 7 ASA, which is listed on the Euronext Growth market (ticker SEAW7).

Seaway7 is a top-tier service provider for 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 fixed offshore wind markets of the world and offers services across the fixed offshore wind value chain focused on wind turbine foundations, inner-array cables 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 turnkey (EPCI) delivery.

Seaway7's client base is comprised mainly of utility companies and dedicated offshore wind project developers but new players have been entering the offshore wind market, notably the major oil companies. This provides the Group opportunities to leverage its existing relationships from its legacy work in the offshore oil and gas sector. During 2022, the Group made good progress on the Seagreen EPCI project in the UK covering 114 wind turbine foundations, 300 kilometres of inner-array grid cables and associated infrastructure off the east coast of Scotland. By the end of 2022, fabrication of the foundation jackets was completed and a total of 93 foundation jackets and 50% of the inner-array grid cables were installed, with the remainder scheduled for installation in 2023. The Seagreen project extends Seaway7's collaborative relationship with developer SSE and follows its successful execution of SSE's Beatrice EPCI project completed in 2019.

During 2022, construction of two high-specification, hybrid power vessels continued. *Seaway Alfa Lift*, a foundation installation vessel, completed sea trials but delivery of the mission equipment for installing monopiles was delayed. Under a revised schedule construction is expected to be completed in Europe in 2023 and it should join the active fleet by early 2024 on the Dogger Bank A and B project. *Seaway Ventus* is a new build jack-up wind turbine installation vessel that will also be capable of installing foundations. In 2022, good progress was made in its construction and it is expected to join the active fleet by early 2024 on the Gode Wind 3 and Borkum Riffgrund 3 project.

Financial results

In 2022, revenue from the Renewables business unit decreased 11% to \$1.1 billion, as the Seagreen project neared completion. The Adjusted EBITDA margin remained low and broadly unchanged year-on-year at 0.4% reflecting challenges on the Formosa 2 project in Taiwan and the Hollandse Kust Zuid monopiles project in the Netherlands, both of which were completed during the year.

In 2022, notable new awards included preferred supplier selection for the East Anglia THREE and Seagreen 1A projects in the UK. These awards are expected to be recorded in backlog after the clients' final investment decisions, anticipated during 2023. Excluding this, our Renewables backlog declined 32% to \$0.8 billion but tendering activity remains high and we are confident in the long-term potential for backlog growth.

Contractual risk-reward mechanisms across the whole offshore wind value chain have been unbalanced in recent years, impacting the financial performance of almost all contractors. However, driven by the growth in demand, this is now improving and we are confident that this positive development will have a favourable impact on profitability.



COMMITTED TO OPERATING IN A SAFE, ETHICAL AND RESPONSIBLE 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 2022 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

0.01 rate per 200,000 hours worked (2021: 0.12; target <0.05) Percentage of suppliers with a contract that included human rights clauses

81% (2021: 86%)

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

6,691 96% of target population (2021: 5,067, 98% of target population)

% of waste reused or recycled from onshore owned sites

85% (2021: 77%) Cumulative power capacity of renewables projects supported to end of 2022

10.5GW

Environmental incident frequency

1_06 rate per 200,000 hours worked (2021: 1.18; target: <0.70) Scope 1 greenhouse gas emissions

617,309 tonnes of CO₂ e emissions (2021: 483,987)

Environmental spill

16 litres per 200,000 hours worked (2021: 16; target: <25 litres)

Please see Subsea7's 2022 Sustainability Report available at www.subsea7.com

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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 ways of working are continually reviewed to seek to improve our safety performance. We believe that all people working on our sites anywhere in the world are entitled to the same level of protection. Subsea7's Business Management System 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 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 as well as for the Group as a whole is very important. All our employees have access to a confidential Employee Assistance Programme.

Progress in 2022

Safety performance improved considerably this year reflecting a strong focus on the fundamentals. This included interactive safety leadership training and reinforcing frequent visits with our vessels and sites.

We applied significant focus on our quality assurance programme to support improved predictable performance with the intention of reducing unexpected events leading to incidents.

Our wellbeing framework has been adopted across our business and supported through global communications.

We worked with a broad spectrum of industries to develop our Human and Organisational Performance (HOP) programme for 2023.

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 delivery of sustainable offshore energy developments around the world and our renewables business generated 22% of Subsea7's revenue in 2022.

Floating wind farms are expected to become a significant contributor to the energy transition in the next decade. Floating wind offers the possibility to further support energy transition by allowing a greater number of offshore wind farms to be developed in deeper water. Subsea7 has invested in floating wind technology and continues to grow technical capability and expertise in this area to develop cost-effective innovative solutions.

Lower-carbon oil and gas has an important role in the transition. Our proprietary technology and engineering capability support our clients in developing these fields cost-effectively and efficiently.

Progress in 2022

Within fixed offshore wind Seaway7 supported 10.5GW of cumulative power capacity of renewables projects. Within floating wind, Subsea7 successfully supported Equinor to generate first power on the world's largest floating wind farm, Hywind Tampen.

In carbon capture, utilisation and storage (CCUS) we continued to build our knowledge and experience, having moved into offshore execution on the Northern Lights project for Equinor which will continue into 2023.

Our subsidiaries Xodus and 4Subsea are helping us to deliver engineering solutions that reduce the carbon footprint of our clients' developments.

Subsea7 continued to proactively participate in industry forums.

Labour practices and human rights



Treating our people and those that work with us fairly and with dignity is fundamental to the way that we work. We are committed to fulfilling our responsibility to respect and protect human rights including the prevention of modern slavery and human trafficking anywhere in our business or supply chain. We have a Human Rights Policy Statement and a Slavery and Human Trafficking Statement that summarise Subsea7's commitment and efforts to improve our understanding and management of the potential human rights impacts of our business activities and, more specifically, to respond to the UK Modern Slavery Act. We are committed to fair and lawful employment practices. We are an equal opportunities employer and seek to protect our people from discrimination and bullying. These principles are embedded within our policies and procedures in our Business Management System, and our people are encouraged to raise any questions or concerns related to any conduct inconsistent with our policies. Our people must abide by our Code of Conduct, which is clear that we will not accept any abuse of human rights and we will not work with suppliers that do so. We are a signatory to the UN Global Compact and a board member of the Building Responsibly organisation.

Progress in 2022

We implemented a new process for assessing human rights risks within our operations to identify the highest risks.

While our existing process already screens suppliers for human rights risks, we developed an enhanced human rights assessment and due diligence questionnaire for high-risk suppliers and aim to be able to progress further down our supply chain faster.

We trained 83% of relevant employees on human rights and we added human rights to the agenda for our Supplier Integrity events. GOVERNANCE

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Business ethics



We are committed to complying with applicable laws and applying the highest ethical standards in everything we do, treating all our stakeholders fairly and with respect. All employees are required to uphold our Code of Conduct, which integrates our three key policy statements on Ethics, Human Rights and Health, Safety, Environment and Quality (HSEQ). Our Speak Up policy establishes a mechanism for anyone with concerns to raise them without fear of retaliation or detriment, and for cases to be investigated conscientiously and without bias. This includes an externally administered and confidential reporting helpline. Our compliance and ethics programme has been developed to prevent briberv. corruption and other compliance and ethics breaches by the Company and all who work for us - including suppliers and other third parties. Our Code of Conduct for Suppliers sets out the key principles of ethical business conduct that our suppliers are required to uphold. Subsea7's Chief Ethics and Compliance Officer provides regular reports to the Corporate Governance and Nominations Committee of the Board and to the Executive Ethics Committee to ensure management understands, accepts and fulfils its accountability for compliance and ethics.

Progress in 2022

We held our fifth Global Integrity Day event and hosted panel discussions with our Regional Vice Presidents.

We continued to engage an external expert firm to perform independent assessments of our anti-bribery/ anti-corruption programme across the Group and at the end of 2022, this covered 86% of our business.

Efforts continued to coalesce our industry around a common anti-bribery standard and a common approach to providing assurance and we underwent a successful compliance audit.

Operational eco-efficiency



Subsea7 recognises the risks and opportunities of climate change and its potential effect on our business and stakeholders. Over 90% of our Scope 1 emissions come from our vessels such that our emissions correlate strongly with our offshore activity levels and we must seek to reduce these in line with our targets. In addition, the reduction in Scope 3 emissions arising from our supply chain is fundamental to delivering a lower-carbon industry.

We measure key environmental data against internal targets including fuel and energy consumption and carbon emissions reduction. We have a comprehensive risk management system with procedures and tools that identify, analyse, report and manage business risks that are related to environmental exposure and the effects of climate change. In 2022, Subsea7's environmental management systems were successfully re-certified by DNV to the requirements of the international standard ISO 14001:2015 verifying effective implementation of all mandatory requirements of the standard.

Progress in 2022

Our Scope 1 emissions increased in 2022 to 617,309 tonnes (2021: 483,987 tonnes). This was a result of both an increase in operational activity and the addition of six heavy transportation vessels as part of the combination with OHT ASA completed in the fourth quarter 2021. However, lowering the carbon impact from our operations remains a key focus and in 2022 we continued to invest in our fleet by successfully trialling lower-carbon fuel and committing to convert our largest construction vessel *Seven Arctic* to hybrid power.

We extended the use of our Carbon Estimator tool to pilot projects to track our actual emissions during project delivery.

We established an estimation of our Scope 3 emissions to assess where our largest contributions come from.

Ecological impacts



Subsea7's fabrication and construction activities, offshore and onshore, have an impact on the environments that surround them. We conduct our business in a way that considers the environment. and aims to keep any negative impact to a minimum, and put in place procedures to protect biodiversity and the ecosystems we work in. Our HSEQ policy focuses on ensuring regulatory compliance and improving our environmental performance through careful selection of consumables and working practices designed to reduce waste, energy consumption and emissions. Subsea7's line managers are responsible for implementation and compliance with this policy and that all employees and contractors are aware of their responsibilities. We take responsibility for our own end-of-life assets, with all vessels recycled in accordance with the Hong Kong Accord.

Progress in 2022

We recycled 85% of onshore waste and segregated for recycling 66% of non-hazardous offshore waste. Throughout 2022 we conducted waste contractor health checks across four of our regions to identify how our waste is handled at our contractors' facilities.

We deployed a BORAbox[®] prototype (a sensor to collect ocean data) on *Normand Subsea* and recorded over 700 hours of accumulated deployment time. The collected data are being reviewed and analysed by scientists at the National Oceanography Centre. We fitted a further two BORAbox[®] sensors on *Seven Falcon* and *Seven Pacific*, to collect data through projects in Brazil and Norway.

We utilised our Group-wide single-use plastic dashboard to discover where we need to reduce our consumption. We continued efforts from last year to phase out a further two categories.

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 the thing that matters to us and makes us unique.

At Subsea7 we offer our people a career they can be proud of, a place for innovation and an environment where they can thrive. Our Being7 offer is supported through our Learning and Development, Diversity and Inclusion (D&I) and Health and Wellbeing strategies, with a regular survey, allowing us to understand where we need to focus our efforts to continually improve Subsea7.

Learning and development

Our focus and investment in learning and development continued in 2022 with the addition of a Project Manager Diploma and a Leadership programme. Listening to the feedback from our employee survey in September 2021, we provided clarity to our onshore people on the tools and processes available to support their career planning and we launched a Career Development Programme. We continued to encourage a culture of learning through the annual Festival of Learning, with the 2022 theme being 'Make Possible'. In 2022 we had a calendar of activities targeting our onshore and offshore people, with nearly 5,000 taking part in 59 sessions offered globally, an increase of 2,000 people from the 2021 Festival.

Diversity and inclusion

In 2022, we launched the Subsea7 Diversity & Inclusion (D&I) framework focused on four pillars: inclusive culture, gender balance, nationality balance and the recruitment pipeline.

Our framework incorporates our ambitions which include increasing female representation and under-represented nationalities in our leadership. In the longer term our leadership should reflect fair representation of our onshore population. We have continued our active participation with the POWERful Women initiative that seeks to address the continued under-representation of women at the top of the UK energy industry and in the leadership pipeline.

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 2022 our offshore management teams and medics were provided with access to training in mental health to support greater awareness of this topic. Onshore, our local activity continued with one example being in our Gulf of Mexico region, where they launched a mental wellness platform.



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EU Taxonomy Disclosure

\$m 2022 2021 Var 2022 2021 Var 2022 2021 Var Numerator for Eligible 1,106 1,239 (133) 122 403 (281) 18 31 (133) Numerator for Aligned ^(a) 1,061 n/a n/a 122 n/a n/a 17 n/a n/a Numerator for Non-Eligible 4,030 3,771 259 252 115 137 87 81 66 Denominator 5,136 5,010 126 374 518 (144) 105 112 (140) Eligible proportion 22% 25% 33% 78% 17% 28% 16% n/a Non-Eligible proportion ^(a) 21% n/a 33% n/a 16% n/a	KPIs for climate change mitigation objective for the year ended 31 December	Revenue)	CAPEX			OPEX		
Numerator for Eligible 1,106 1,239 (133) 122 403 (281) 18 31 (133) Numerator for Aligned ^(a) 1,061 n/a n/a 122 n/a n/a 17 n/a n/a Numerator for Non-Eligible 4,030 3,771 259 252 115 137 87 81 66 Denominator 5,136 5,010 126 374 518 (144) 105 112 (140) Eligible proportion 22% 25% 33% 78% 17% 28% 115 116% n/a 112 113 116 <th>\$m</th> <th>2022</th> <th>2021</th> <th>Var</th> <th>2022</th> <th>2021</th> <th>Var</th> <th>2022</th> <th>2021</th> <th>Var</th>	\$m	2022	2021	Var	2022	2021	Var	2022	2021	Var
Numerator for Aligned ^(a) 1,061 n/a n/a 122 n/a n/a 17 n/a n/a Numerator for Non-Eligible 4,030 3,771 259 252 115 137 87 81 6 Denominator 5,136 5,010 126 374 518 (144) 105 112 (1 Eligible proportion 22% 25% 33% 78% 17% 28% 1 Aligned proportion ^(a) 21% n/a 33% n/a 16% n/a 1 Non-Eligible proportion 78% 75% 67% 22% 83% 72%	Numerator for Eligible	1,106	1,239	(133)	122	403	(281)	18	31	(13)
Numerator for Non-Eligible 4,030 3,771 259 252 115 137 87 81 60 Denominator 5,136 5,010 126 374 518 (144) 105 112 (141) 105 112 (141) 105 112 (141) 105 112 (141) 105 112 (141) 105 112 (141) 105 112 (111) (111	Numerator for Aligned ^(a)	1,061	n/a	n/a	122	n/a	n/a	17	n/a	n/a
Denominator 5,136 5,010 126 374 518 (144) 105 112 (1 Eligible proportion 22% 25% 33% 78% 17% 28% 17% 28% 16% n/a 16% n/a 16% 78% 75% 67% 22% 83% 72% 16% 72% 16% 72% 16% 1	Numerator for Non-Eligible	4,030	3,771	259	252	115	137	87	81	6
Eligible proportion 22% 25% 33% 78% 17% 28% Aligned proportion ^(a) 21% n/a 33% n/a 16% n/a Non-Eligible proportion 78% 75% 67% 22% 83% 72%	Denominator	5,136	5,010	126	374	518	(144)	105	112	(7)
Aligned proportion ^(a) 21% n/a 33% n/a 16% n/a Non-Eligible proportion 78% 75% 67% 22% 83% 72%	Eligible proportion	22%	25%		33%	78%		17%	28%	
Non-Eligible proportion 78% 75% 67% 22% 83% 72%	Aligned proportion ^(a)	21%	n/a		33%	n/a		16%	n/a	
	Non-Eligible proportion	78%	75%		67%	22%		83%	72%	

(a) Alignment activities not reported in 2021.

(b) Full regulatory tables showing taxonomy-eligible and aligned activities are disclosed on pages 147 to 149 of Additional Information.

Revenue (Turnover)

The primary source of revenue contributing to the numerator of the taxonomy revenue KPIs was generated from the installation of offshore wind farm facilities. The proportion of the Group's total revenue which was taxonomy-eligible in 2022 was 22% compared to 25% in 2021; the decrease reflected lower revenue in the Group's Renewables business unit, mainly due to phasing on the Seagreen project, UK, as it neared completion. The proportion of the Group's total revenue that was taxonomy-aligned in 2022 was 21% (2021: not disclosed).

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 2022 represented 33% of the total CAPEX of the Group (2021: taxonomy-eligible 78%; taxonomy-aligned not disclosed). The year-on-year reduction in taxonomy-eligible CAPEX was primarily due to the absence of business combinations in 2022 compared to 2021 when OHT ASA (renamed Seaway 7 ASA) was acquired by the Group. Through this combination the Group acquired \$295 million of assets, including right-of-useassets, reportable under the "addition of assets through acquisition" criteria under the EU taxonomy. This amount is included in the numerator and denominator for 2021.

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 2022 was 17% compared to 28% in 2021. The year-on-year reduction was primarily due to the absence of spend relating to the conversion of *Seven Phoenix* to a cable lay vessel which took place in 2021. The proportion of the Group's total OPEX that was taxonomy-aligned in 2022 was 16% (2021: not disclosed).

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.

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EU regulation

On 18 June 2020, the European Union (the 'EU') issued Regulation 2020/852 on the establishment of a framework to facilitate investment for companies registered within the EU. Under this regulation and its delegated acts (the 'EU Taxonomy'), the Subsea 7 S.A. Group (the 'Group') is required to publish, for the 2022 financial year, eligibility and alignment indicators highlighting the proportion of its revenue, capital expenditure (CAPEX) and operating expenditure (OPEX), collectively, key performance indicators (the 'KPIs') resulting from economic activities considered as sustainable as defined by the EU Taxonomy.

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). For 2022 only the first two environmental objectives are considered: climate change mitigation and climate change adaptation. It is expected that in future years the remaining four objectives will be considered.

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

- Delegated Regulation (EU) 2021/2139 of the European Commission of 4 June 2021 and its annexes supplementing Regulation (EU) 2020/852 by specifying the technical criteria for determining under which conditions an economic activity may be considered to contribute to climate change mitigation or climate change adaptation; and
- 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.

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 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 first two published environmental objectives: climate change mitigation and climate change adaptation. The economic activities identified resulted from a comprehensive review of the Group's activities in 2022.

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

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 which may generate revenue in future periods, and OPEX such as research and development (R&D) spend.

The Group's activities which were assessed to be EU Taxonomy eligible for the climate change mitigation objective are shown in the table below.

Environmental objective	Activity covered by the EU Taxonomy Code	Associated NACE code	Definition of the activity	Corresponding Group activity			
Climate change mitigation	4.3	D35.11 F42.22	Construction	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.			
	Electricity generation from wind power		or operation of electricity generation facilities that produce electricity from wind power.				
Climate change mitigation	5.11 Transportation	F42.21 and H49.50	CO_2 is delivered to a permanent CO_2 storage site that	The Group participates in a carbon capture project leading to permanent storage of CO_2 , offshore Norway from an industrial source.			
	01002		meets the criteria for underground geological storage of CO_2 .	This scope includes engineering, fabrication and installation of approximately 100km pipeline that will connect the CO_2 collection facility to the CO_2 storage site.			
Climate change mitigation	9.1	M71.1.2 and	R&D surrounding	The Group is currently involved in R&D			
	Close to market research, developments and innovation	M72.1	subsea hydrogen storage.	activities relating to the construction of hydrogen storage facilities.			

EU Taxonomy disclosure continued

The classification of activities in 2022 differs from that reported in 2021 where 7.6 'Installation, maintenance and repair of renewable energy technologies' was reported. Following a review by management and clarifications through 'Frequently Asked Questions' (question number 139), published by the EU in December 2022, it was considered that 4.3 'Electricity generation from wind power' was more appropriate for the Group. This change did not impact the value of eligible activities reported in 2021 and activities under 5.11 'Transportation of CO₂' remained unchanged.

Eligible CAPEX and OPEX are also included primarily in the 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.

In the assessment for 2022, management has concluded that all eligibility indicators for revenue, CAPEX and OPEX should be reported under the climate change mitigation objective with nil to be reported under climate change adaptation.

The 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 2022. In the year 96% 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 a carbon capture project in Norway.

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.

Alignment assessment for revenue-generating activities

For the year ended 31 December 2022, the EU Taxonomy requires eligible activities to be further analysed regarding their compliance with the 'alignment' criteria, which includes considerations related to Substantial Contribution, Do No Significant Harm (DNSH) and Minimum Safeguards.

Substantial Contribution

Activity 4.3 Electricity generation from wind power

In order to meet the technical screening criteria related to this activity, management concluded that all eligible activities met the substantial contribution criteria as the activity ultimately resulted in the generation of electricity from wind farms.

Activity 5.11 Transport of CO₂

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

- $\rm CO_2$ was transported from the installation where it was captured to the injection point with less than 0.5% $\rm CO_2$ leakages; and
- CO₂ was delivered to a permanent CO₂ storage site meeting criteria for underground geological storage of CO₂.

Activity 9.1 Close to market research, development and innovation

Substantial contribution criteria was met as the OPEX under this activity relates to the construction of subsea hydrogen storage facilities. This project is in its early stages, with activities mainly related 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 (activities 4.3 and 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's 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 Decision (EU) 2017/848 in relation to the relevant criteria and methodological standards for those descriptors.

Transition to a circular economy (activity 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 eligible activities, steel is the major component used which in most cases can be recycled.

GLOSSARY

Sustainable use and protection of water and marine resources (activities 4.3 and 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 infrastructures, 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 were 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 (activities 4.3 and 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 for 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 to 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 Declaration of 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 sections at www.subsea7.com and within the Group's Sustainability Reports.

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 2022 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-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 'Significant accounting policies' to the Group's Consolidated Financial Statements for the year ended 31 December 2022.

The Group's taxonomy-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 additions and remeasurement of right-of-use assets as reported in the Group's Consolidated Financial Statements. For further details refer to Notes 14, 15, and 16 to the Group's Consolidated Financial Statements for the year ended 31 December 2022.

The Group's taxonomy-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 2022. 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.

Principal risks and uncertainties

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

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

The Group's operations, its strategy for lower-carbon oil and gas, renewables and emerging energies sources are driven by three business units: the Subsea and Conventional business unit focuses on lower-carbon offshore oil and gas and carbon capture and storage, the Corporate business unit focuses on early-stage activities in both floating wind and subsea hydrogen and emerging energy markets, while Renewables – through Seaway 7 ASA – is focused on fixed offshore wind. Climate-related risks, challenges and pressures are a key consideration in the Group delivering its strategic objectives and are therefore subject to ongoing assessment as part of the risk management processes in place.

Our Subsea and Conventional business unit executes large and complex offshore projects to the energy industry, in all water depths, under the Subsea7 brand. Our focus on the continuous evolution of lower-carbon oil and gas is delivered through our subsea and conventional developments in which the Group offers 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. Through the Group's life-of-field services, it provides fully integrated solutions 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 that also support lower-carbon oil and gas fields.

Our Renewables business – mainly comprised of Seaway 7 ASA – is a top tier service provider in the fixed offshore wind industry. It has a presence in all of the major fixed offshore wind markets, offers services including installation of foundations, inner-array cables and substations, and has a fleet of heavy transportation vessels, transporting components and infrastructure to support the wind industry. With the delivery of two new assets towards the end of 2023, this business unit will further expand its existing foundation installation capabilities and extend its capabilities to support the installation of wind turbines. Seaway7 can offer different contracting models from single source transportation and installation scopes. However, it is one of only a few contractors that can provide EPCI expertise for the execution of offshore wind farm projects. It continues to promote and strive for contracting terms that establish a balanced allocation of risks between all stakeholders, particularly as such contracts continue to be contracted on a fixed-price basis.

As each country presses forward to meet its Net Zero targets and a transition to cleaner energy sources, growth in the offshore fixed wind market continues to accelerate, driven by national targets to achieve installed capacity but also supported by political and regulatory regimes to address climate change as well as to achieve greater energy security. The contractual landscape continues to evolve and with the entrance of more traditional energy clients into this market along with a tightening of available installation assets, the ambition is for a more balanced risk profile to be achieved across the market. Foundation sizes continue to increase to accommodate larger wind turbines, further reducing the number of assets capable of installing these.

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 IRM work, the Group generally contracts on a fixed-price basis. The costs and margins realised on projects can vary from the original estimated amounts due to a number of factors, sometimes resulting in a reduced margin or loss. Additional operating costs incurred as a result of 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 is responsible for monitoring and managing operational and enterprise risk in pursuit of the Group's business objectives and reports to the Board of Directors. The Executive Management Team is responsible for designing and implementing appropriate systems and procedures for the identification and management of risks, while ensuring, subject to an acceptable level of risk, that the Group is able to optimise stakeholder value.

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

Principal risks and uncertainties

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

The means which the Group employs to mitigate or eliminate these risks are shown on pages 28 to 42.

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. GOVERNANCE

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 lower-carbon oil and gas development 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 lower-carbon oil and gas, as well as enabling the growth of renewables and emerging energy.

The role the Group takes in making lower-carbon oil and gas developments possible is centred around 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 with OneSubsea®, the subsea technologies, production and processing business of SLB. It is a preferred option for many clients, particularly for large greenfield projects, and is an important component of the Group delivering on its lower-carbon oil and gas strategy. 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. A failure of our strategy to offer seamless integrated solutions with our alliance partner, appropriate design led solution, or other systems and products could impact the Group in winning work and affect its position as a market leader.

The Group continues to advance its strategy in the growth of renewables and emerging energy, in both the established renewables market and emerging energy sectors. Subsea7 is actively involved in a project for the pipeline installation work for a carbon capture, utilisation and storage project as well as supporting clients with their evaluation of carbon capture projects around the globe. The Group also aims to play a key role in making offshore subsea hydrogen possible. 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. Seaway7 is well-positioned to capture an enhanced share of the high-growth fixed offshore wind market. As the fixed wind sector continues to grow and emerging energies advance there is a risk that advancements in the size and complexity of renewables or emerging energy projects could exceed current expertise, capabilities or asset base. The challenging contractual landscape, which has been unbalanced in recent years and which has impacted the financial performance of many contractors across the sector, has started to turn. With the growth in demand and finite offshore assets that can perform the work, a move towards improving contractual terms is expected.

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

Mitigation

Technology-related risks are mitigated by employing qualified personnel, as well as 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 energy 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 engage in thorough due diligence and ensures that an experienced management team is deployed to manage merger and acquisition opportunities. This team ensures operational management is engaged in the integration process immediately after a corporate transaction to ensure successful execution.

Market risk continued

Risk

Economic

The Group's business depends on the level of activity in the segments of the energy industry in which it operates and, consequently, any significant change in the level, timing or nature of clients' expenditure plans could adversely impact the Group's order intake, financial performance, position and prospects. Global energy demand continues to grow but with society looking for cleaner and more sustainable energy sources to meet its needs, the Group's strategy is to be a proactive participant in the energy transition and contribute to the evolution of lower-carbon oil and gas developments. This involves setting and continuing to focus on our own lowercarbon targets as well as supporting our clients in their lowercarbon targets through working with the supply chain, by investing in our own fleet and looking for new technology to reduce our own carbon footprint. Legislative changes and society pressures, led by Environmental, Social and Governance (ESG) desires for cleaner energy, could impact the Group's ability to partner with stakeholders such as investors, insurers and other key suppliers, that would no longer offer services to the Group while it continues to work in the oil and gas sector.

A rapid increase or decrease in demand for the Group's services can 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. The risk is that there are price increases and availability issues that 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.

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.

Furthermore, the expansion of offshore wind globally brings potential economic risks associated with establishing an industry in multiple nascent markets. One such challenge for this market remains the inclusion of local content in development plans, including working within the Jones Act regarding the use of non-US vessels in US waters. History has shown that stakeholder management of local content, governmental policy, legislative, social, and environmental constraints can influence the timing and development of renewables projects.

Mitigation

The Group closely monitors market activity and collaborates with clients to understand their future project and expenditure plans. Early engagement in the design phase of an energy project enables the Group to better assess the risks and opportunities and the economic implications of the projects as they progress towards construction. Following award, the Group 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. Further vessels in the fleet have been identified for hybridisation conversion for which the work will commence during 2023. 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.

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 the risk on pricing and availability is addressed through contractual measures.

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

Competition

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.

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.

Geographic

The Group operates and tenders for work worldwide, with each country having specific political, economic and social characteristics which can give rise to various risks and uncertainties. These can adversely impact project execution and financial performance, including but not limited to:

- Economic instability
- Legal, fiscal and regulatory uncertainty and change, including individual countries' commitment, targets and measures to address climate control
- Onerous local content obligations
- Sanction and export controls
- Civil or political unrest, including war
- Regime change

Mitigation

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.

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.

Competition in the fixed offshore wind sector is high, however through Seaway7 the Group remains strong 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 over smaller contractors or new entrants and position the Group well to remain committed to working with clients in this sector where there is a balanced manageable risk profile.

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. GOVERNANCE

Business environment risks

Risk

Technological innovation

Our clients seek cost-effective solutions to develop energy resources, particularly in deep waters and challenging offshore environments, to enhance the full field lifecycle. The Group's experience of designing and executing projects across the globe helps 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 enablingproducts. 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.

The Group's ambition for proactive participation in the energy transition is focused through two key areas: lower-carbon oil and gas, and renewables and emerging energy. Technology advancements are key to progressing in these areas where the risks include investing or developing technology for one or multiple areas identified which becomes superseded or immediately obsolete.

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.

Environmental sustainability

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 will require the Group to deliver at a pace that must be integrated with operational delivery commitments to its clients. External stakeholders such as the financial markets, insurers, investors and suppliers may have their own Environmental, Social and Governance commitments that include reducing their involvement with oil and gas-related companies in favour of other energy sources.

Mitigation

The Group monitors industry trends and collaborates with clients to understand their technology requirements. This allows the Group to effectively invest in developing differentiated and cost-effective technologies to meet current and anticipated client demand.

In developing new technologies, systems and products the risks associated with selecting and pursuing appropriate technological solutions, technical completion, commercialisation and successful implementation are carefully considered and addressed through adherence to industry engineering standards and codes, technical readiness levels and contractual gate controls operated by knowledgeable and experienced Subsea7 personnel.

At every step of the innovation process, safety and the cyber security aspects of new technology, software and systems are considered to ensure the continuity of business and operations.

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 established its framework for an Environmental Management System that will underpin and consolidate its efforts in meeting its targets and expectations.

The Group participates in the CDP, the UN Global Compact and the Building Responsibly frameworks and will increase its alignment with the recommendations of the Task Force on Climate-related Financial Disclosures. More information on the Group's efforts and initiatives can be found in the Group's 2022 Sustainability Report.

Organisation and management risks

Risk

Climate

The Group is focused on climate change and meeting its own targets to reduce Scope 1 and 2 emissions by 50% by 2035 and to be Net Zero by 2050. It is also committed to delivering its strategy for the energy transition, demonstrating commitment to a more sustainable business environment both internally but also to support its clients' objectives. The Group recognises the impacts of climate change and the potential effect on 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:

- 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
- Regulation and supervision of climate-related risk in the financial sector could lead to challenges in accessing financial capital
- The speed with which society, governing bodies and countries require alternative fuel sources and our ability to keep pace with the timescale required to provide emerging energies in a sustainable and cost-efficient way
- Reducing Scope 1 and 2 emissions and sourcing, developing and upgrading our assets to support this aim

People

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 where societal preferences, particularly in the younger demographic, are towards opportunities in the energy transition rather than oil and gas. Failure to attract or retain talent could adversely impact the Group's ability to execute projects and its future growth prospects.

The Group is a signatory to the UN Global Compact and committed to its 10 principles that summarise responsibilities to respect human rights, and to avoid and address any adverse impacts on the Group's business activities. The Group is conscious that the geographic diversity of its operations and the many different types of work required to be performed by the Group's workforce and its suppliers and 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 modern slavery, human trafficking, child labour and other types of forced labour.

Mitigation

The Group is committed to engaging in 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 committed to the next phase of its hybridisation programme – which includes designing and procuring a hybrid package for *Seven Arctic*. Two trials have been completed on other vessels utilising alternative fuels which confirm compatibility once such fuels become available on a commercial scale. Onshore, the Group is implementing a programme which includes a transition to clean energy.

We are well-positioned from an asset and project execution perspective to continue to be the contractor of choice for subsea construction and installation for traditional and alternative energies where there continues to be a requirement for a subsea infrastructure.

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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 continues to generate positive employer engagement.

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

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

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

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

GOVERNANCE

Organisation and management risks continued

Risk

Compliance and ethics

The Group is committed to conducting business in accordance with applicable law and the highest ethical standards. However, there is a risk that its employees, representatives or other persons associated with it may take actions that breach the Group's Code of Conduct or applicable laws, including but not limited to anti-bribery or anti-corruption.

The Group assesses such risks which vary across its geographical locations. The Group has identified the following as being the most significant corruption risks it faces:

- Small bribes and facilitation payments, especially in relation to the movement of vessels, people and materials
- Illicit enrichment of public officials through hidden interests in local partners or suppliers that local content laws require us to use
- Bribery to win work
- Bribery to get variation orders approved
- Bribery to get work certified or paid

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.

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.

Mitigation

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.

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 and encourage compliance. 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.

A committee comprising 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.

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.

Organisation and management risks continued

Risk

Information and operational technology cyber risks

The Group's operations depend on the availability and security of a number of key Information Technology (IT) and Operational Technology (OT) systems. The Group's investment in its digitalisation programme combined with the acquisition of data-driven businesses means the risk of these systems being disrupted or compromised by a general failure or by cyber-attacks is increasingly relevant. Such risks include but are not limited to:

- Unauthorised access to key operational, financial or corporate systems
- Malware
- Theft and misappropriation of sensitive information
- Fraud attacks
- Data management and non-compliance with legislation such as the EU General Data Protection Regulation (GDPR)
- Increasing use of IT to interconnect with multiple stakeholders and the possibility of such interconnectivity being disrupted to their detriment
- Denial of access to or utilisation of assets with the risk of a potential loss or damage event

Such breaches in security could adversely impact the Group's ability to maintain ongoing business operations and lead to financial and asset loss, reputational damage, potential physical harm, loss of client and shareholder confidence and regulatory fines.

Mitigation

The Group recognises the increased frequency of cyber security threats and events and takes this risk seriously. It reviews its infrastructure, suppliers, policies, procedures and defences to mitigate associated risks and keep abreast of risk intelligence by engaging market-leading specialists where appropriate.

It assesses the technology framework against approved independent standards and maintains a programme of investment in new hardware, software and systems to ensure the integrity of its IT security defences. The Group works with recognised independent industry experts to audit and test the sustainability of its security systems and assesses the business and operational impact of a cyber event, analysing varied scenarios, interruption types and effectiveness of recovery plans.

The Group has a number of IT policies, including a policy on information security, designed to protect its systems and ensure their availability and integrity as well as combating 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.

Mandatory internal e-learning courses and regular phishing simulation tests are used to maintain a high level of awareness among employees of IT security risks and of the Group's procedures to manage them.

The 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 bi-annual basis. GOVERNANCE

Delivery and operational risks

Risk

Bidding

The Group wins most of its work through a competitive tendering process. A significant proportion of the Group's work is undertaken by way of fixed-price contracts which exposes the Group to increases in supply chain costs. Failure to secure and manage costs could impact the Group's financial performance; such 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.

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.

Realisation and renewal of backlog

Delays (including those related to the clients' final investment decisions), suspensions, cancellations, re-phasing or changes to scope or content to awarded projects recorded in backlog could materially impact the financial performance and position of the Group in current and future years.

Joint ventures

The Group may engage in commercial joint ventures with selected partners to obtain necessary expertise or local knowledge and contract or partner with specialist companies to develop new or emerging business opportunities. A failure to find an appropriate joint venture partner or a failure by a joint venture partner to perform to the standards required by the joint venture agreement could result in negative financial and reputational impact to the Group.

Misalignment between 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.

Mitigation

All bids are subject to the Group's estimating and tendering processes and authority levels. Cost estimates are prepared on the basis of a detailed standard costing analysis, and the selling price and contract terms are based on the Group's commercial contracting standards and market conditions. Where possible key supply chain 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.

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.

The Group works to mitigate these risks through its contractual terms, including, where possible, provision for cancellation fees or early termination payments.

The Group seeks to ensure that selected joint venture partners not only have the necessary expertise, local knowledge and suitable financial profile but are also able to meet the Group's health, safety, security, environmental and quality standards (HSSEQ) and its Code of Conduct obligations. The Group has established appropriate governance and oversight mechanisms to monitor the performance of its joint ventures and joint venture partners with regard to such matters.

Delivery and operational risks continued

Risk

Project execution

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.

For most contracts, the offshore execution phase, which generally involves the use of either single or multiple vessels, is usually the most hazardous as this phase is exposed, among other risks, to adverse weather conditions or the risk of loss or damage to the contracted works. These hazards can result in scheduling adjustments, damage to vessels and equipment, repair or rework, injury to those working offshore or financial loss.

The Group must continue to innovate and develop products 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 can expose the Group to additional warranty or product liability risks.

Mitigation

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 it does so with a balanced risk profile where the risks retained are understood and can be managed.

The Group factors the risk of adverse weather conditions into the design of its vessels, equipment and procedures and project scheduling, as well as the training of its offshore workforce. It also works to mitigate potential adverse financial consequences when negotiating contractual terms with its clients.

Innovative products are commercialised after rigorous testing that is subject to a hierarchy of industry recognised technical readiness level reviews. GOVERNANCE

Delivery and operational risks continued

Risk

Supply chain

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 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 supplier choice as the supply chain adapt their own business strategies towards sustainable and alternative energies. A severely diminished pool of suppliers will affect the Group's operational and financial performance.

Failure of a key supplier to perform predictably could result in disruption to the Group's ability to complete a project in a timely manner. Suppliers can run into financial difficulty affecting their ability to perform and in more severe scenarios result in suppliers being made insolvent. Other factors such as pandemics, extreme weather, financial uncertainty, civil unrest, war or other unforeseen external factors could cause significant interruption affecting elements of the supply chain, affecting our ability to deliver our clients' projects, and could cause disruption to ongoing Group capital expenditure initiatives such as vessel construction, dry-dockings and upgrades.

The war in Ukraine and consequent Russian sanctions continue to impact on energy shortage and the impact of Covid-19 disruption continues to exist. These contributing factors to rising general inflation globally, resulting in increased costs as well as more cost volatility within our direct and indirect supply chain and unexpected increases in supply chain pricing, could result in higher project costs that impact the Group's financial performance.

The resultant time delays or increased costs could lead to irrecoverable costs to the Group and the imposition of financial penalties by clients as well as reputational damage and reduced competitiveness. Cost is a necessary consideration in the selection of key suppliers and balancing this with quality and control assurance is a risk. Faulty or damaged components could result in additional project costs which may not be fully recoverable from the supplier and will be incurred by the Group.

Failure of suppliers to reliably record and control their carbon emissions or other ESG performance indicators, such as business ethics, labour practices and human rights, could limit the Group's ability to accurately report its own performance.

Mitigation

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.

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 such interruptions through appropriate contractual terms and conditions, including back-to-back supplier pricing, index linked pricing and a balanced cost escalation mechanism where appropriate.

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 the quality standards are met and assurance policies followed as well as the timelines for delivery.

We are engaging with our key suppliers to better understand their ESG commitments and where they are in their roadmap 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.

GLOSSARY

Delivery and operational risks continued

Risk

Communicable or infectious diseases including pandemics

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 be undertaken to ensure the safe continuation of the business. The risks to the Group include additional operational costs to continue normal operational activities as well as enhanced working arrangements to work safely in accordance with the changes made in law, quarantining 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 at risk of an interruption caused to the supply chain which is also likely to be impacted.

Health, safety, security, environmental and quality

The Group's projects are complex and are sometimes performed in unfamiliar environments in varied conditions. This requires continuous monitoring and management of health, safety, security, environmental and quality (HSSEQ) risks associated with the location of work, project specification and installation method as well as addressing the location and assets utilised.

A failure to manage these risks could expose our people and those who work with us to security breaches, illness, injury or harm.

It could result in an environmental event or cause injury or damage to other parties. It could result in significant commercial, legal and reputational damage or potential disbarment from the affected country.

The nature of the Group's worldwide operating activities carries the potential for significant health risks and disruption to our business operations.

Mitigation

The Group first and foremost adheres to the law, guidelines. protection, health and mitigation measures set out by each country in which the Group operates and in accordance with the vessel flag state. Where flexible working arrangements including working from home are not possible, such as for certain onshore fabrication facilities and the offshore vessels, the risk of incurring a significant or severe outbreak of illness is mitigated through the implementation of health screening, cleaning regimes and sanitisation measures as part of infection control and prevention. The Group aims to establish safe working environments. To achieve this, some changes to procedures are required, including in some cases extending the period of crew rotations offshore and imposing periods of guarantine prior to embarkation and the workforce returning home. Reduced workforce numbers and social distancing measures are built into the operational procedures for onshore and offshore locations. Where possible, the Group aims to mitigate some of the additional project cost exposures in complying with changes in the law by exercising its contractual rights to issue variation order requests to clients.

The Group is focused on continuously monitoring HSSEQ performance at all levels and actively motivates, influences and guides employees' individual and collective behaviour.

The Group is committed to protecting the health, 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.

The Group mitigates exposure to the risk of communicable or infectious diseases by developing health procedures and medical screening that adhere to the guidance and incorporate the best practice set out by world health organisations and industry experts. This includes enhanced travel and embarkation procedures for offshore personnel, to mitigate the risk of severe illness occurring onboard our vessels.

Delivery and operational risks continued

Risk

Fleet management

The Group has a fleet of vessels which are required for the successful delivery of its projects. These vessels operate in a number of regions which are subject to political, fiscal, legal and regulatory risks. This also includes regulatory requirements related to the crewing of the vessels in the territories where they are operating. Failure to manage such risks could lead to an adverse impact on the Group's financial performance and position.

Lack of vessel availability is a risk. Uncertainty in operational vessel schedules may lead to non-availability for other projects in the tendering or execution phase. Vessel availability could also be negatively impacted by delays to vessel construction, completion of maintenance, vessel upgrading and dry-docking activities.

In extreme circumstances, the non-availability of a vessel or multiple vessels through loss or irreparable damage could compromise the Group's ability to meet its contractual obligations and cause financial loss. Conversely, an underutilisation of the vessel fleet exposes the Group to a risk of under recovery of the total fleet costs.

To maintain the competitiveness of the fleet, the Group from time-to-time makes significant investments in the construction or acquisition of new vessels. If the anticipated demand for those vessels does not materialise, such investments may not generate the intended financial return.

Mitigation

The Group considers carefully the political, fiscal, legal and regulatory risks associated with the deployment of its vessels and crew into regions in which it operates, and monitors developments to ensure it can respond appropriately.

To minimise the risk of non-availability, the Group dedicates resources to perform vessel scheduling centrally rather than at a business unit or region level. Vessel construction, maintenance, upgrading and dry-docking activities are subject to detailed planning and controls are deployed to mitigate the risk of completion delays.

The design and operational capabilities of a vessel are carefully assessed before its deployment to a particular project and are then closely monitored during the project's execution. The impact of potential non-availability of a vessel is mitigated by both the size and flexibility of the Group's fleet and its ability to access the vessel charter market. The Group adjusts its fleet size to suit its view of the future market by cold or warm stacking its excess assets, as well as potentially returning chartered tonnage to their owners.

Before initiating the construction or acquisition of a new vessel, the Group conducts detailed analyses of the potential market and seeks to ensure that the vessel's technical specifications and projected capital and operating costs are appropriate for the anticipated market.

The Group assesses the market's need for new assets and, after a rigorous technical and financial review, will decide to proceed with construction or conversion where there is sufficient future activity and with acceptable financial returns on its investment.

Financial risks

Risk

Revenue and margin recognition

Individual period performance may be significantly affected by the timing of contract completion, at which point the final outcome of a project may be fully assessed. Until then, the Group, in common with other companies in the sector, uses the percentage-of-completion method of accounting for revenue and margin recognition. This method relies on the Group's ability to estimate future costs in an accurate manner over the remaining life of a project. As projects may take a number of years to execute, this process requires a significant degree of judgement, with changes to estimates or unexpected costs or recoveries potentially resulting in significant fluctuations in revenue and profitability.

Inaccurate forecasting of the costs to complete a project and of the revenue which can be earned from the client for changes to contract scope could have a negative impact on the Group's management of its liquidity and weaken its financial position. Fixed-price contracts awarded at low or negative margins can create volatility when accounting for project performance as forecast unavoidable losses are recognised in full in the period in which they are identified. Forecasting during pandemics and economic crises is complex and subject to increased volatility as changes unfold.

Cash flow and liquidity

The Group's working capital position will be affected by the timing of contract cash flows where the timing of receipts from clients, typically based on achievements of milestones, may not necessarily match the timing of payments the Group makes to its suppliers.

In executing some of its contracts, the Group is required by its clients, in the normal course of business, to issue certain guarantees, e.g. performance, advance payments and bid bonds. Access to those unsecured bi-lateral guarantee arrangements from financial institutions in support of these instruments is fundamental to the Group's ability to compete, particularly for large EPIC contracts.

In rare instances clients may request specific payment terms such as extended payment terms or payment deferrals which can negatively impact the cash flow profile of projects.

The availability of short-term and long-term external financing is required to help meet the Group's financial obligations as they fall due. In the event that such financing was to be unavailable, reduced or withdrawn, the Group's activities would be significantly constrained.

Mitigation

Project performance is monitored by means of Project Monthly Status Reports (PMSRs) which record actual costs of work performed, the estimated cost to complete a project and the estimated full-life project revenue. The PMSR allows management to reliably estimate the most likely full-life profitability of each project. These PMSRs are subject to rigorous review and challenge, which includes the impact of worldwide pandemics, 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.

In addition to using its cash and cash equivalents balance and cash generated from operations, the Group has access to committed financing facilities to meet its core financing and working capital needs. The Group's cash position, liquidity, debt leverage and credit rating-related metrics are monitored closely by both the Executive Management Team and the Board of Directors.

The Group works to mitigate client payment deferral request risks through its contract terms. In addition, the Group continuously assesses the creditworthiness of its client and supplier base. GOVERNANCE

Risk Management continued

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 quarterly to review the risks identified as impacting or having the potential to impact the Group's operations and strategic objectives as well as discussing emerging risks.

