

SUBSEA 7 S.A.
ANNUAL REPORT 2021



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2021 FINANCIAL PERFORMANCE

REVENUE

\$5.0BN

2020: \$3.5BN

ADJUSTED EBITDA

\$521M

2020: \$337M

CASH AND CASH EQUIVALENTS

\$598M

2020: \$512M

DIVIDENDS AND SHARE REPURCHASES

\$93M

2020: \$10M

NET INCOME

\$36M

2020: \$(1.1)BN

DILUTED EARNINGS PER SHARE

\$0.11

2020: \$(3.67)

BACKLOG

\$7.2BN

2020: \$6.2BN

ORDER INTAKE

\$6.1BN

2020: \$4.4BN

OUR VISION

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

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

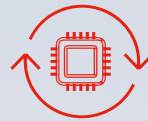
OUR VALUES

-  Safety
-  Performance
-  Integrity
-  Collaboration
-  Sustainability
-  Innovation

Understand how our Values help drive our performance on page 3

OUR STRATEGY

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



SUBSEA FIELD OF THE FUTURE – SYSTEMS AND DELIVERY



ENERGY TRANSITION – PROACTIVE PARTICIPATION

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

OUR DIFFERENTIATORS

-  Culture
-  Creativity
-  Relationships
-  Reliability
-  Solutions

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

OUR STAKEHOLDERS

Delivering sustainable value for our stakeholders

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



Kristian Siem
Chairman

POSITIONED TO CREATE LONG-TERM VALUE FOR OUR STAKEHOLDERS

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

TO THE SHAREHOLDERS OF SUBSEA 7 S.A.

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

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

ENTERING A LESS CAPITAL-INTENSIVE PHASE IN SUBSEA AND CONVENTIONAL

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

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

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

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

UNLOCKING VALUE IN RENEWABLES

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

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

EXPANDING OUR COMMITMENT TO SUSTAINABILITY

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

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

DEFINING OUR POLICY OF SHAREHOLDER RETURNS

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

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

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

MY THANKS

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

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

Kristian Siem
Chairman

OUR VALUES



SAFETY

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



INTEGRITY

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



SUSTAINABILITY

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



PERFORMANCE

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



COLLABORATION

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



INNOVATION

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



John Evans
Chief Executive Officer

IN THE EARLY PHASE OF A RECOVERY

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

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

A SOLID PERFORMANCE AMID A GLOBAL ECONOMIC RECOVERY

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

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

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

DELIVERING PROGRESS ON OUR TWOFOLD STRATEGY

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

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

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

Our strategy in emerging energies was also reinforced in 2021 through a step up in our participation in floating wind and our first award in carbon capture. Our acquisition of a majority stake in Nautilus Floating Solutions has given us direct involvement in the development of floating wind technology, positioning us well for this high-potential market. During the year, we won our first carbon capture contract, part of the Northern Lights project in Norway. The total offshore carbon capture market is expected to surpass \$5 billion per annum by 2025¹, with strong growth thereafter, making it an important part of Subsea 7's strategy to be a proactive participant in the energy transition.

A POSITIVE OUTLOOK FOR OUR SERVICES ACROSS THE ENERGY LANDSCAPE

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

1. Source: Rystad Energy CCS Solution

TARGET NET ZERO

MORE THAN

90%

of our emissions come from our vessels.

By

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

From a baseline in 2018, our target is to

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



DIGITAL EFFICIENCY

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



HYBRIDISATION/ SHORE POWER

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



CLEAN FUELS

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

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



BOOK-TO-BILL

1.2

with \$6.1 billion of new orders in 2021

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

After a hiatus in major awards for Subsea 7 and the industry in fixed offshore wind in 2021, we expect the high level of tendering in the Renewables business unit to yield major awards from 2022 onward. Europe is likely to remain a key market, with the next wave of projects expected to be awarded in the UK in July. The US is an exciting new market for fixed offshore wind, where the scale of the projects is pushing new boundaries that play into our strength and track record in executing

large, complex projects. Several ongoing US wind tenders are due for award to the industry in 2022 and beyond. Further afield, we will take a cautious approach to near-term opportunities in Taiwan given the operating challenges experienced in 2021.

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

John Evans
Chief Executive Officer

FULL SERVICE ACROSS THE FIELD LIFECYCLE

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

CONCEPT

DESIGN

ENGINEER

PROCURE AND FABRICATE



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

Robust FEED ensures minimal change and accurate forecasting during design.

Detailed engineering by experienced personnel delivers the best solution.

Efficient procurement and high-quality fabrication delivered on time.

What we do

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

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

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

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

How we add value

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

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

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

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

Creating better outcomes for our stakeholders

Our clients

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

Our shareholders

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

87

clients supported by Subsea 7 in 2021

320

meetings with investors in 2021

INSTALL AND COMMISSION

MAINTAIN

EXTEND

DECOMMISSION

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

Effective and responsive maintenance, reducing the cost of ownership.

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

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

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

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

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

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

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

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

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

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

Our people

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

28,000

digital learning courses completed by our employees in 2021

Society

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

47

community assistance events delivered in 2021

UNDERSTANDING OUR OPERATING ENVIRONMENT

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

THE OIL AND GAS MARKET

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

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

Demand for our subsea services

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

Assuming no material change in the economic outlook, the market for Subsea and Conventional is expected to continue recovering in 2022 and beyond. The sharp rise in tendering, which had translated to higher early-stage engineering activity in 2021, should drive increased procurement activity in 2022 before ultimately leading to a pick-up in offshore activity and vessel utilisation later in 2023. During this period, new order intake is also expected to

remain robust. As illustrated below, the global subsea market is expected to grow from \$22 billion in 2021 to \$25 billion in 2022 and \$29 billion by 2025, equating to a compound annual growth rate of 7%.

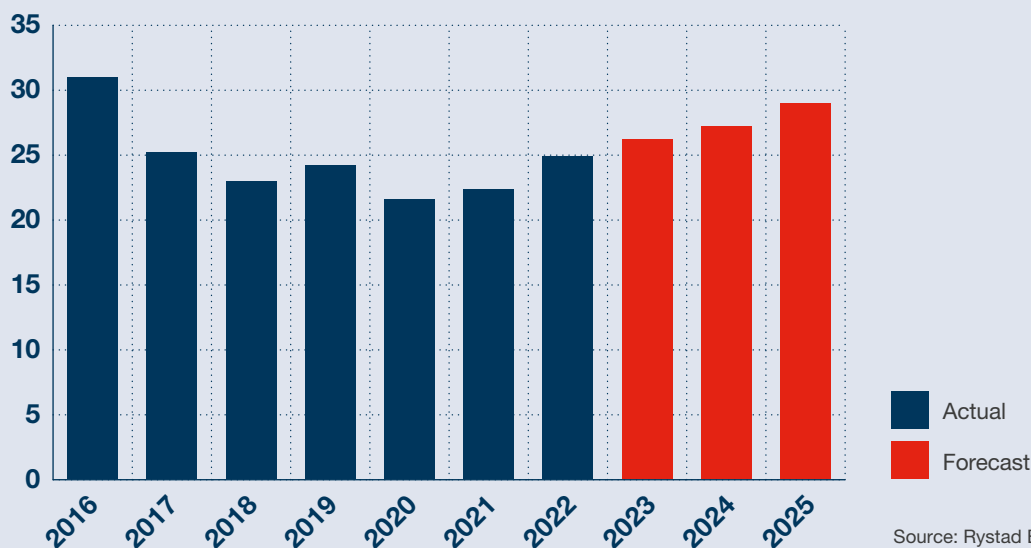
Long-term outlook for oil and gas

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

THE OFFSHORE WIND MARKET

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

GLOBAL SUBSEA MARKET
Billion USD



Source: Rystad Energy, January 2022

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

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

As wind farm developments move further away from shorelines and as countries with deeper territorial waters begin to participate in the wind industry, floating wind is expected to become a more meaningful part of the market. While the industry remains in its infancy today with just a handful of pilot studies, developers

and contractors are accelerating efforts to improve the economics of floating wind and advance commercial-scale projects. The oil majors, which became increasingly active in the offshore wind industry during 2021, have shown strong interest in floating wind given the plethora of applications relevant to their broader energy portfolios including off-grid power for oil and gas developments and a key source of renewable energy for the production of green hydrogen.

OUR SUPPLY CHAIN

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

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

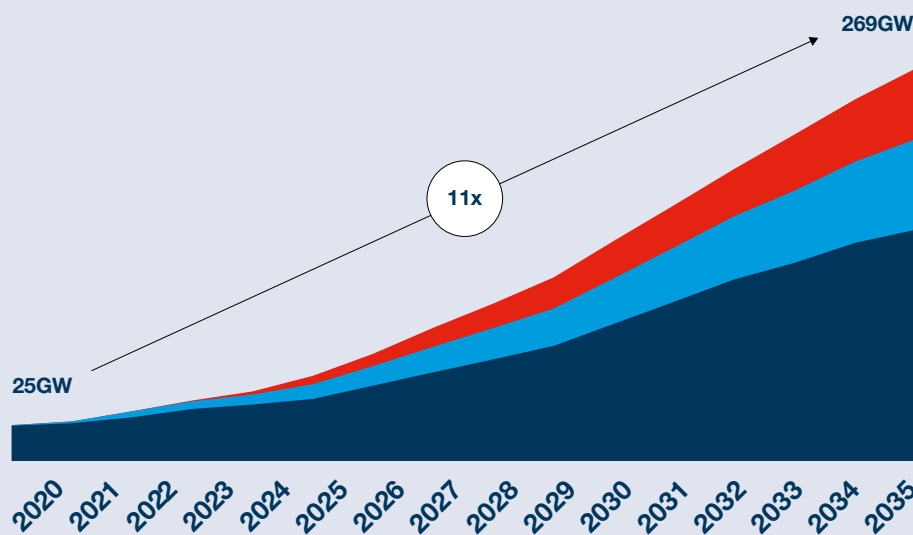
COVID-19 IMPACT

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

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

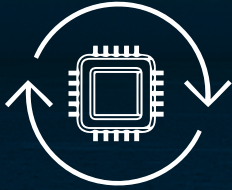
These precautions continued to come at a financial cost in terms of both direct expenses and as indirect costs of unavoidable inefficiencies. Nevertheless, throughout the year, we remained impressed by the agility and resilience shown by our employees in adapting to the new reality and continuing the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

GLOBAL OFFSHORE WIND MARKET
Cumulative installations (GW)



Numbers exclude floating wind
Source: BNEF, December 2021

WE HAVE TWO CLEAR
STRATEGIC GOALS:



**SUBSEA FIELD
OF THE FUTURE –
SYSTEMS AND
DELIVERY**



**ENERGY
TRANSITION –
PROACTIVE
PARTICIPATION**

OUR DIFFERENTIATORS

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

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

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

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

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

→ Read more about our strategy in action from page 12



CULTURE

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



CREATIVITY

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



RELATIONSHIPS

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



RELIABILITY

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

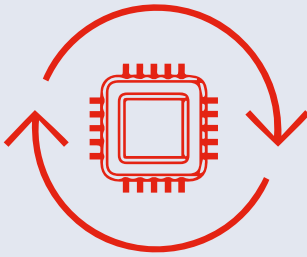


SOLUTIONS

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

SUBSEA FIELD OF THE FUTURE – SYSTEMS AND DELIVERY

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



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

EARLY ENGAGEMENT AND PARTNERSHIPS

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

INTEGRATED SPS AND SURF

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

SYSTEM INNOVATION AND ENABLING PRODUCTS

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

DIGITAL DELIVERY OF PROJECTS AND SERVICES

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

EARLY ENGAGEMENT

60%

of 2021 SURF orders by value leveraged early engagement

INTEGRATED SOLUTIONS

76%

market share by value since January 2020

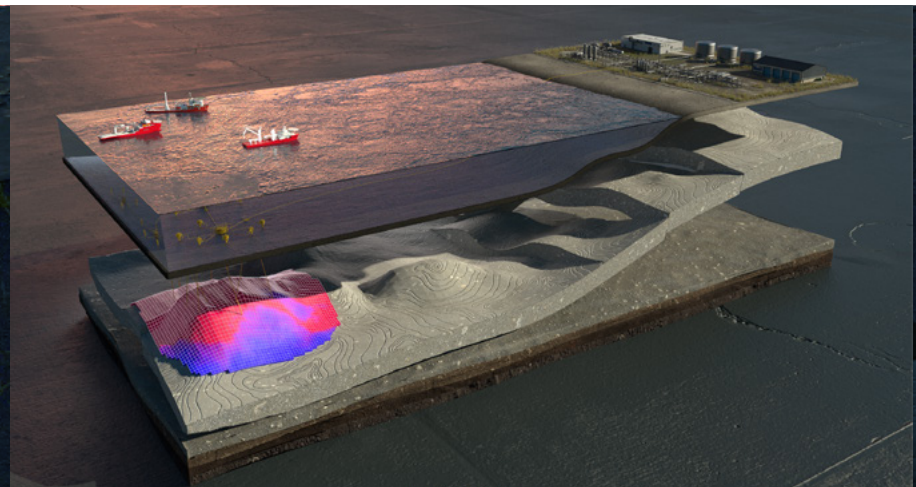
OUR PROGRESS THIS YEAR

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

STRATEGIC PRIORITIES FOR THE YEAR AHEAD

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

FIELD OF THE FUTURE SPOTLIGHT: SAKARYA FIELD DEVELOPMENT, TURKEY



Project at a glance

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

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

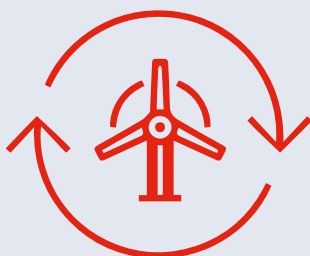
Subsea 7's phase 1 scope

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

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

ENERGY TRANSITION – PROACTIVE PARTICIPATION

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



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

RENEWABLES – OFFSHORE WIND

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

EMERGING ENERGY – NEW MARKETS AND OPPORTUNITIES

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

OIL AND GAS – LOWER CARBON DEVELOPMENTS

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

OPERATIONS – SUSTAINABLE AND EFFICIENT

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

30+

Renewables projects installed

60

Carbon capture and hydrogen studies performed by Xodus

OUR PROGRESS THIS YEAR

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

STRATEGIC PRIORITIES FOR THE YEAR AHEAD

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

RENEWABLES SPOTLIGHT SEAWAY 7 ASA



The creation of Seaway 7 ASA

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

Priorities for 2022

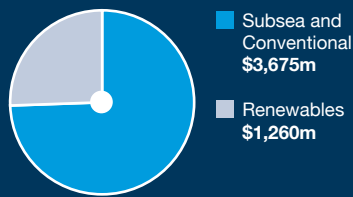
- Finalise the construction of *Seaway Alfa Lift*, our new build state-of-the-art foundation installation vessel
- Progress the construction of the industry-leading *Seaway Ventus* for delivery in 2023
- Install the remaining 104 foundations and 330 kilometres of inner-array cables on the Seagreen project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

➔ **Read more at**
www.seaway7.com

DELIVERING ACROSS OUR BUSINESS UNITS

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

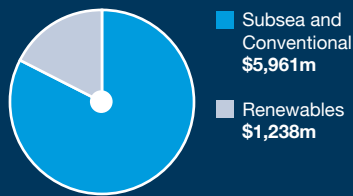
GROUP REVENUE



ORDER INTAKE



BACKLOG



2021 STRATEGIC HIGHLIGHTS

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

SUBSEA AND CONVENTIONAL

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

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

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

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

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

SUBSEA AND CONVENTIONAL

NUMBER OF ACTIVE PROJECTS

68

RENEWABLES

NUMBER OF ACTIVE PROJECTS

9

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

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

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

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

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

RENEWABLES

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

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

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

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

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



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

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

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

COMMITTED TO OPERATING IN A SAFE, ETHICAL AND RESPONSIBLE MANNER

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

OUR KPIs

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

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

5,067

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

% of waste reused or recycled from onshore owned sites

77%

(2020: 76%)

Lost-time injury frequency rate

0.12

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

Cumulative power capacity of renewables projects supported to end of 2021

7.5GW

(2020: 6.0GW)

Environmental incident frequency rate

1.18

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

Percentage of suppliers with a contract that included human rights clauses

86%

(2020: 82%)

Carbon emissions

535,642

tonnes of Scope 1 CO₂ emissions
(2020: 410,446)

Environmental spill

16

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



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

OUR SUSTAINABILITY PRIORITIES

HEALTH, SAFETY AND WELLBEING



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

PROGRESS IN 2021

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

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

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

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

ENERGY TRANSITION



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

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

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

PROGRESS IN 2021

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

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

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

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

LABOUR PRACTICES AND HUMAN RIGHTS



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

PROGRESS IN 2021

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

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

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

BUSINESS ETHICS



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

PROGRESS IN 2021

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

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

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

OPERATIONAL ECO-EFFICIENCY



Subsea 7 recognises the impacts of climate change and its potential effect on all our stakeholders. We seek to be more efficient in the way that we work and invest in solutions that lower our greenhouse gas emissions. Over 90% of our emissions come from our vessels such that our CO₂ emissions correlate strongly with our offshore activity levels. Our Environmental Management System is certified to ISO 14001:2015. In 2021 DNV GL performed a surveillance audit of our compliance which confirmed effective fulfilment of requirements.

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

PROGRESS IN 2021

Improving environmental efficiency of our fleet: We published our plans to target Net Zero by 2050 and included a nearer-term target of 50% reduction in greenhouse gas emissions from Scope 1 and 2 by 2035 (from a 2018 baseline). We have begun deployment of digital fuel flowmeters and a number of our vessels have been fitted with digital dashboards to help us optimise fuel use and reduce emissions through saving power and fuel. In 2021, our Scope 1 CO₂ emissions totalled 535,642 tonnes (2020: 410,446 tonnes). We also continue to apply focus to our Clean Operations which has resulted in a reduction of our carbon emissions by 74,288 tonnes. A Clean Operation is an activity where a vessel’s carbon footprint is reduced without compromising safety or execution.

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

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

ECOLOGICAL IMPACTS



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

PROGRESS IN 2021

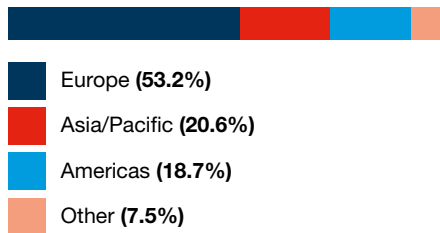
Recycling our waste: We have continued to apply focus guided by our Group waste protocol. This year we recycled 77% of onshore waste and segregated for recycling 69% of non-hazardous offshore waste.

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

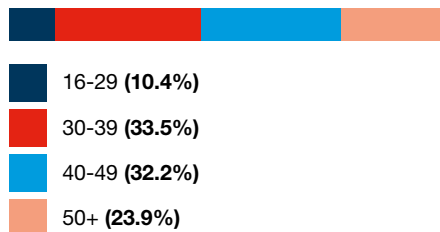
Zero single-use plastics: As a signatory to the UK Chamber of Shipping Single-Use Plastic Charter which seeks to eliminate non-essential single-use plastic, we are making good progress phasing out four categories of commonly used single-use plastic and continue to track progress through an online database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

A FOCUS ON OUR PEOPLE

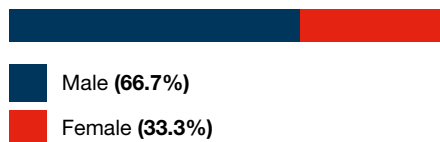
NATIONALITY MIX



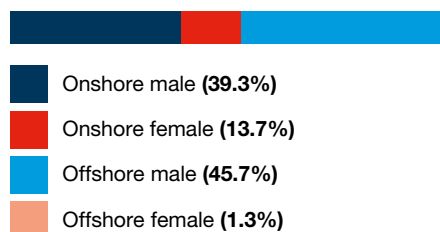
AGE



GENDER MIX OF THE EXECUTIVE MANAGEMENT TEAM



GENDER MIX GROUP-WIDE



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

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

LEARNING AND DEVELOPMENT

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



DIVERSITY AND INCLUSION

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

HEALTH AND WELLBEING

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

EU TAXONOMY DISCLOSURE

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

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

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

- Delegated Regulation 2021/2178 of the European Commission of 6 July, 2021 and its annexes supplementing Regulation (EU) 2020/852 specifying how to calculate the KPIs and the narrative information to be published.

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

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

ELIGIBLE ECONOMIC ACTIVITIES UNDER THE EU TAXONOMY

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

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

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

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

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

ENVIRONMENTAL OBJECTIVE	ACTIVITY COVERED BY THE EU TAXONOMY CODE	ASSOCIATED NACE CODE	DEFINITION OF THE ACTIVITY	CORRESPONDING GROUP ACTIVITY
Climate change mitigation	7.6 Installation, maintenance and repair of renewable energy technologies	F42.22	Installation, maintenance and repair of wind turbines and the ancillary technical equipment.	The Renewables business unit comprises activities related to the delivery of fixed offshore wind farm projects. This includes the procurement and installation of offshore wind turbine foundations and inner-array cables as well as heavy lifting operations and heavy transportation services for renewables structures.
Climate change mitigation	5.11 Transportation of CO ₂	F42.21 and H49.50	CO ₂ is delivered to a permanent CO ₂ storage site that meets the criteria for underground geological storage of CO ₂ .	The Group participates in a carbon capture project leading to permanent storage of CO ₂ in Norway from an industrial source. Scope includes engineering, fabrication and installation of a 100km CO ₂ pipeline that will connect the CO ₂ collection facility to the CO ₂ storage site.

ELIGIBILITY INDICATORS

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

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

For sake of clarity and completeness, the oil and gas related economic activities of the Subsea and Conventional and Corporate business units were assessed as non-eligible under the EU Taxonomy. All activities under both business units were deemed non-eligible due to the exclusion of fossil fuel extraction activities from the EU Taxonomy target scope. The EU has clarified that support activities to economic activities excluded from the regulation scope are also considered out

of scope. The Group's non-eligible activities include activities contributing to reducing the carbon intensity of the energy transition such as field carbon footprint optimisation, carbon capture systems studies, a project for the electrification of an oil platform using floating wind technology, and other smaller carbon footprint reducing activities.

METHODOLOGY FOR CALCULATING THE INDICATORS

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

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

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

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

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

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

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

The fixed offshore wind Renewables business – Seaway 7 ASA – is a global leader in the delivery of fixed offshore wind farm solutions from foundations installation to inner-array cable lay services, and provision of related heavy transportation services. With the upcoming delivery of two new assets in the coming years, this business unit will further expand its existing foundation installation capabilities and extend to provision of assets to support the installation of wind turbines.

Seaway 7 ASA is one of a few contractors that can provide EPCI expertise for the execution of offshore wind farm projects, which are, with increasing frequency, contracted on a lump-sum basis.

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

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

The Group operates in a predominantly cyclical industry where activity is strongly influenced by the current and forecast

price of energy, as well as the impact of decisions taken by governing bodies, particularly regarding regulation, climate change, mitigation and adaptation, subsidies and fiscal incentives.

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

ROLES AND RESPONSIBILITIES

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

MARKET RISK

RISK

Strategic

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

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

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

MITIGATION

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

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

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

MARKET RISK CONTINUED

RISK

Economic

The Group's business depends on the level of activity in the segments of the energy industry in which it operates and, consequently, any significant change in the level, timing or nature of clients' expenditure plans could adversely impact the Group's order intake, financial performance, position and prospects. Global energy demand continues to grow but with society looking for cleaner and more sustainable energy sources to meet its needs, the Group's strategy is to be a proactive participant in the energy transition and assist our clients in reducing the carbon footprint of their developments. This involves the reduction of our own emissions, proposing field solutions with reduced carbon footprint, and being a major contractor in the renewable energy market. Legislative changes and society pressures, led by Environmental, Social and Governance (ESG) desires for clean energy, could impact the Group's ability to partner with stakeholders such as investors, insurers and other key suppliers, that would no longer offer services to the Group while it continues to work in the oil and gas sector.

A rapid increase or decrease in demand for the Group's services could outpace the Group's ability to resize its capacity for service provision. Furthermore, our suppliers could be adversely affected by the inability to resize but may also struggle to cope with order demand variability. Any default by them or increase in pricing could impact a project's schedule as well as negatively impacting the Group's financial performance.

Our clients' financial strength and the economic viability of their projects can be impacted by the fluctuation of energy prices and energy mix which can be driven by political conditions, technological development, global demand and ESG. These variable factors are outside the Group's control but can have a direct impact on the operational and financial performance of the Group.

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

Competition

The Group faces competition to win contracts needed to ensure a sustainable backlog of future work across the business units. This competition may result in pricing pressures or a change to a contractor's risk profile, as competitors strive to win contracts and secure work. Contractual terms which are more onerous for the contractor may increase liabilities, both actual and contingent, and adversely impact the Group's financial performance and position.

Furthermore, the competitive landscape includes further alliances as well as vertical and horizontal consolidations, to achieve economies of scale and scope and wider control of the value chain. Such initiatives could represent a threat to the Group's profile as a specialised offshore service provider.

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 is able to implement cost reduction measures to adapt the projects to market conditions and work within the terms of the contracts to mitigate the effect of client-led changes to project schedules or work scopes.

The financial strength and solvency of our clients and suppliers is a specific area of focus before entering into contracts. The Group has successfully reduced its cost base and continues to look for ways to improve efficiency and productivity to respond to market demand to optimise expenditures.

The Group engages with key stakeholders to explain the Group approach and initiatives on energy transition, climate change, and ESG to maintain long-term alignment on economic activities.

The Group seeks to diversify selectively into new markets, including emerging energy markets, which allow it to leverage resources and competencies, as well as into other geographies requiring similar services.

The Group endeavours to reduce its exposure to competition by differentiating itself from competitors. The Group's experience and resources, including its people, versatile and modern fleet and proprietary technology and digital delivery offerings, help it respond effectively to challenges from competitors. The Group seeks, within the framework of the business's contractual risk profile, to support and maintain industry-recognised balanced contracting forms.

A further differentiator is the Group's ability and experience in partnering with clients and forming alliances with other oilfield services companies to offer packaged solutions and to contribute to the early development stages of projects, as well as offering cost-effective and efficient technical solutions.

Competition in the fixed offshore wind sector is strong, however through Seaway 7 ASA the Group is confident that it can leverage its expertise and capabilities in the delivery and execution of complex projects and market its EPCI track record and versatile fleet as differentiators over smaller contractors or new entrants.

BUSINESS ENVIRONMENT RISKS

RISK

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

Technological innovation

Our clients seek cost-effective solutions to develop energy resources, particularly in deep waters and challenging offshore environments, to enhance the full field lifecycle. The Group's experience of designing and executing projects across the globe helps optimise developments in order to maximise return on investment for clients while reducing carbon emissions. In order to do this the Group has four key elements of the subsea field of the future strategy: early engagement and partnerships, integrated subsea production systems (SPS) and SURF, system innovation and enabling products, and digital delivery and services. Any failure by the Group to anticipate or respond appropriately to any of these elements could adversely affect the Group's ability to compete effectively for, and win, new work.

The Group's ambition for proactive participation in the energy transition is based on four key pillars: offshore wind; emerging energy; oil and gas – lower carbon developments; and operations – sustainable and efficient. Technology advancements are key to advancing in these areas; the risks to the Group include investing or developing technology for one or multiple areas identified which becomes superseded or immediately obsolete, for example vessel fuel sources.

Introducing technology, systems or products that are insufficiently mature or unsatisfactorily implemented when selected by our client as a valid solution could have an adverse reputational and financial impact for the Group. Reliance on the use of data and cloud storage facilities has the associated risks of information technology, operational technology, systems and cyber security failures.

MITIGATION

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.

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

In developing new technologies, systems and products the risks associated with selecting and pursuing appropriate technological solutions, technical completion, commercialisation and successful implementation are carefully considered and addressed through 'gate controls' operated by knowledgeable and experienced Subsea 7 personnel.

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

ORGANISATION AND MANAGEMENT RISKS

RISK

Environmental sustainability

The Group is committed to delivering offshore solutions to meet the needs of its clients as well as its own strategy that supports sustainable energy sources. The Group is committed to facilitating the transition towards lower carbon and renewable energy supplies. The risks to the Group are that society, interested bodies and their carbon neutral commitments impose increased pressures on the financial markets, insurers, investors and other stakeholders to dissociate themselves from oil and gas-related companies in favour of emerging energy sources.

Climate

The Group is focused on climate change and meeting its own targets to reduce Scope 1 and 2 emissions by 50% by 2035 and to be Net Zero by 2050. It is also committed to delivering its strategy for subsea field of the future and the energy transition, demonstrating commitment to a more sustainable business environment both internally but also to support its clients' objectives. The Group recognises the impacts of climate change and the potential effect on our business, our end markets and society and acknowledges the risks and potential effects on the business's future associated with not taking steps to mitigate its impact. These risks include:

- Operational and financial risks relating to the effect of climate control, for example cost increases associated with alternative onsite fuel sources, or the introduction of carbon taxes
- The speed with which society, governing bodies and countries require alternative fuel sources and our ability to keep pace with the timescale required to provide emerging energies in a sustainable and cost-efficient way
- Reducing Scope 1 and 2 emissions and sourcing, developing and upgrading our assets to support this aim

MITIGATION

The Group is committed to proactively participating in the energy transition in a safe, ethical and responsible manner. The Group has invested, and continues to invest, in new technologies and innovative programmes that reduce both the Group's and its clients' carbon emissions.

The Group participates in the CDP, the UN Global Compact and the Building Responsibly frameworks and will increase its alignment with the recommendations of the Task Force on Climate-related Financial Disclosures. More information on the Group's efforts and initiatives can be found in the 2021 Sustainability Report which is published as a separate document.

The Group is committed to engaging in more efficient ways of working and investing in solutions that lower the Group's greenhouse gas emissions. The majority of the Group's emissions emanate from its vessels and the Group looks for ways to reduce this impact on the environment. Initiatives taken include the conversion of the entire fleet to run on low sulphur fuel, in line with International Maritime Organization (IMO) guidelines and regulations. It is also undertaking trials with alternative fuels, including bio-diesel, as we seek to ascertain future fuel choices and the associated vessel upgrade decisions. Onshore, the Group is implementing a programme which includes a transition to clean energy.

We are well-positioned from an asset and project execution perspective to continue to be the contractor of choice for subsea construction and installation for traditional and alternative energies where there continues to be a requirement for an infrastructure which transfers a product, whatever the product may be, from one location to another.

ORGANISATION AND MANAGEMENT RISKS CONTINUED

RISK

People

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

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

MITIGATION

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

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

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

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

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

ORGANISATION AND MANAGEMENT RISKS CONTINUED

RISK

Compliance and ethics

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

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

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

These risks are inherent in our sector, the Group's business model and, to a certain extent, the locations in which it works. The Group fully supports the goals of local content laws, but they can increase corruption risks and weaken our procurement procedures and controls.

Any compliance and ethics breach could result in monetary penalties, convictions, debarment and damage to the Group's reputation and could therefore impact its ability to do business.

Information technology and operational systems, cyber risks and security

The Group's operations depend on the availability and security of a number of key Information Technology (IT) and operational systems. The Group's investment in its digitalisation programme combined with the acquisition of data driven businesses means the risk of these systems being disrupted or compromised by a general failure or by cyber-attacks is increasingly relevant, particularly at a time where the context imposes more remote connection into the Group infrastructure. Such risks include but are not limited to:

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

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

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 with it. These policies are periodically updated to ensure they remain current and fresh.

The Group has a compliance and ethics programme underpinned by its Values and designed in accordance with international best practice to embed the Code of Conduct, prevent bribery and corruption, and manage compliance and ethics risks generally. The programme includes financial controls, risk assessments and procedures for managing third-party risks. Mandatory annual compliance and ethics e-learning for employees raises awareness, highlights the whole range of consequences and encourages compliance. Employees are encouraged to raise concerns about possible non-compliance through an externally administered whistleblowing helpline. There is a strong focus on a culture of ethics and integrity. More information can be found on our website and in our Sustainability Report.

A committee comprising members of the Executive Management Team sets objectives for the implementation and continual improvement of the compliance and ethics programme and monitors progress. Regular reports are provided to the Board of Directors.

The Group regularly engages an independent third-party assurance provider to benchmark its compliance and ethics programme against best practice, including international standard ISO 37001 2016.

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

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

The Group has a number of IT policies, including a policy on information security, designed to protect its systems and ensure their availability and integrity as well as combatting attempted fraud. These policies are regularly reviewed to ensure they continue to address existing and emerging information security, cyber maritime and cybercrime risks as well as GDPR.

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

The functional senior management periodically updates the Executive Risk Committee and the Board's Audit Committee on cyber risk exposure and cyber security strategy.

DELIVERY AND OPERATIONAL RISKS

RISK

Bidding

The Group wins most of its work through a competitive tendering process. A significant proportion of the Group's work is undertaken by way of fixed-price contracts which exposes the Group to increases in supply chain costs. Failure to secure and manage costs could impact the Group's financial performance; one such risk is the inability to maintain price validity from our supply chain if there is a delay in project award, rapid price escalation or re-phasing which leads to schedule amendments.

An inability to understand and respond to operational and contractual risks or accurately estimate project costs could have an adverse impact on the Group's legal liability and financial performance and position.

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 Subsea 7 and a joint venture partner on strategic matters could lead to a deadlock, impacting negatively, inter alia, on project execution. In addition, the failure of a joint venture partner to meet its financial obligations could result in an adverse impact on the Group's financial performance and position.

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 vendors or subcontractor terms and conditions are negotiated alongside the main client contract to reduce the risk of non-alignment or contracting terms or the absence of price certainty.

Before the tender is submitted, a formal multi-gate review process is performed. Tenders are first reviewed at a regional level where the technical, operational, legal and financial aspects of the proposal are considered in detail. Completion of the regional review process requires the formal approval of the appropriate level of management. Dependent on the tender value and complexity (such as technology and partnering), there is an escalating level of approval required. Tenders meeting specific financial and risk criteria are reviewed and approved by the Tender Committee of the Board of Directors.

The Group works to mitigate these risks through its contract 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 endeavours to establish appropriate governance and oversight mechanisms to monitor the performance of its joint ventures and joint venture partners with regard to such matters.

DELIVERY AND OPERATIONAL RISKS CONTINUED

RISK

Project execution

The Group executes complex projects and a failure to meet and achieve the necessary contractual requirements could have several adverse consequences, including contract disputes, rejected claims and cost overruns, which could adversely impact the Group's financial performance, position and reputation. The contractual landscape for fixed offshore wind projects continues to apply pressure to contractors with an allocation of risk which remains imbalanced particularly when compared to the contractual terms for offshore construction projects in the oil and gas sector. These contractual risks could expose the Group to operational and financial losses that are material to the Group's overall performance.

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

The Group must continue to innovate and develop products that allow it to deliver optimal field solutions and cost-efficient solutions for its clients. Errors or defects in product design and production can expose the Group to additional warranty or product liability risks.

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

Innovative products are commercialised after rigorous testing that is subject to a hierarchy of stage-gate reviews.

DELIVERY AND OPERATIONAL RISKS CONTINUED

RISK

Supply chain

Failure of a key supplier could result in disruption to the Group's ability to complete a project in a timely manner. A significant period of interruption affecting elements of our supply chain arising from factors such as pandemics, extreme weather, financial uncertainty, civil unrest, war or other unforeseen external factors would have an impact on our ability to deliver our clients' projects and could cause disruption to ongoing Group capital expenditure initiatives such as vessel construction, dry dockings and upgrades.

In periods of increased activity for the Group, there is a risk that the supply chain does not or cannot react at the same pace as demand and insufficient capacity causes a deterioration in the quality of the product or service, extended lead times or the inability to secure products. Similarly, the impact of Covid-19 disruption continues to exist in our direct and indirect supply chain.

General inflation and unexpected increases in supply chain pricing could result in higher project costs that impact the Group's financial performance.

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

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

Failure of suppliers to reliably record and control their carbon emissions or other ESG performance indicator could limit the Group's ability to accurately report its own performance.

Communicable or infectious diseases including pandemics

Communicable or infectious diseases, such as the Covid-19 pandemic, can expose the Group to operational disruption and increased costs as a result of measures required to be undertaken to ensure the safe continuation of the business but also as a result of unexpected business interruptions. The risks to the Group include additional operational costs to continue normal operational activities as well as enhanced working arrangements to work safely in accordance with the changes made in law, quarantining crew and logistical issues associated with the international transit of vessels and people. These costs are not included in all fixed-price contracts and therefore pose a financial risk to the Group if they cannot be recovered as a result of exercising our contractual rights. The risk of a reduced workforce, unable to maintain minimum manning levels, or vessel stand-by or quarantine exposures could impact the Group's financial and operational results. The Group is at risk of an interruption caused to the supply chain which is also likely to be impacted.

MITIGATION

The financial profile and outlook of the Group's key suppliers is reviewed during the pre-qualification process for vendors and is considered prior to signing project-related contracts. Unforeseen external factors leading to interruptions in supply chain delivery are difficult to manage, however the Group evaluates these risks and where possible will seek to avoid single source suppliers and will seek to mitigate the financial impact of such interruptions through appropriate contractual terms and conditions.

If necessary, appropriate guarantees or performance-related bonds are requested from our key suppliers. In addition, the Group seeks to develop strong long-term relationships with high-quality and competent suppliers, working to balance costs at a sustainable level and not only engage on a lowest bid basis. The Group engages qualified quality assurance and quality control specialists in the supplier selection process who have an active role throughout the duration of project execution. These specialists have teams on the ground at key supplier locations to ensure the quality standards are met and assurance policies followed as well as the timelines for delivery. Long-term contractual arrangements, to secure supplier commitment into the future, helps the Group to mitigate the risk of key suppliers exiting the sector.

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

DELIVERY AND OPERATIONAL RISKS CONTINUED

RISK	MITIGATION
<p>Health, safety, security, environmental and quality</p> <p>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.</p> <p>A failure to manage these risks could expose our people and those who work with us to security breaches, illness, injury or harm.</p> <p>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.</p> <p>The nature of the Group's worldwide operating activities carries the potential for significant health risks and disruption to our business operations.</p>	<p>The Group is focused on continuously monitoring HSSEQ performance at all levels and actively motivates, influences and guides employees' individual and collective behaviour.</p> <p>The Group is committed to protecting the health and safety of its people and those working on its sites and vessels as well as minimising its impact on the environment. The Group has an HSSEQ policy and detailed HSSEQ procedures designed to identify, assess and reduce such risks while ensuring compliance with relevant laws and regulations. The policy and procedures are subject to review, monitoring and certification by an independent, internationally recognised specialist firm.</p> <p>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.</p>
<p>Fleet management</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

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 more 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 were 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 the Covid-19 pandemic at key levels of management within the Group. Note 4, 'Critical accounting judgements and key sources of estimation uncertainty', to the Consolidated Financial Statements provides more detail of the Group's approach to revenue recognition on long-term contracts.

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

- Delegated authority level matrices with certain matters being reserved for the Board of Directors
- Annual review of the strategy, plans and budgets of individual business units to identify the key risks to the achievement of the Group’s objectives
- Monthly financial and operational performance reviews against budgets
- Individual tender and contract reviews at various levels throughout the Group
- Capital expenditure and investment reviews and authorisation

- Regular reviews and reporting on the effectiveness of the Group’s HSSEQ processes
- Group treasury policies
- Group taxation compliance and reporting policies and systems
- The Group’s whistleblowing policy, which allows individuals to raise concerns in confidence about potential breaches of the Code of Conduct
- Data Governance Council – reviews and monitors the Data Privacy Council (DPC) work in ensuring the Group’s adherence to GDPR
- Quarterly reporting to the Executive Management Team from the Global Applications and Systems Steering Committee (GASSC) on the integrity and security of its business and IT systems, including cyber risk
- Cyclical reviews of all non wholly-owned subsidiaries, joint ventures and associates by the Joint Venture Steering Committee

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

