ENQUEST PLC ANNUAL REPORT AND ACCOUNTS 2021

EnQuest

Providing creative solutions through the energy transition

EnQuest

Strategic Report

Corporate Governance

Financial Statements

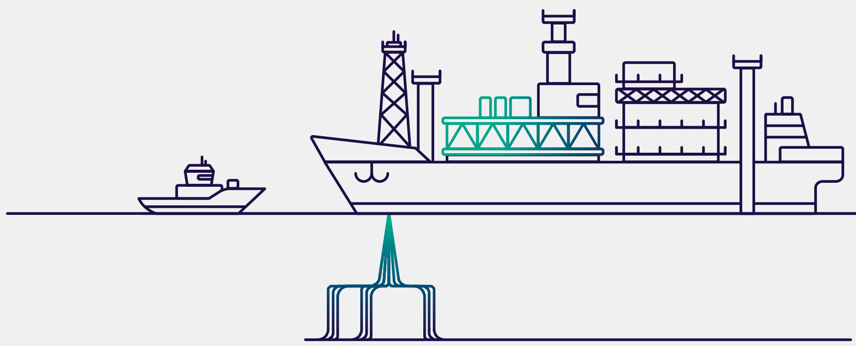
The energy transition

EnQuest is well positioned to play an important role in the energy transition. It will do so by responsibly optimising production, leveraging existing infrastructure, delivering a strong decommissioning performance and exploring new energy and further decarbonisation opportunities.

Upstream

Safely and efficiently extracting existing oil and gas resources through established infrastructure while minimising emissions remains our core business.

Read more about our performance on pages **16 to 19**



Infrastructure and New Energy

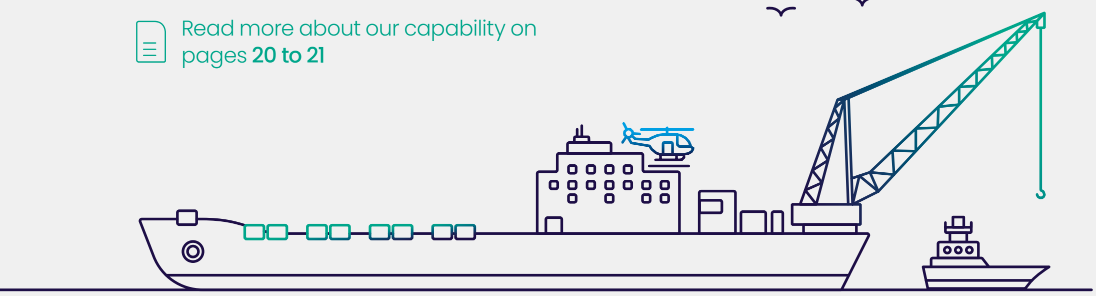
Maintaining high-quality services at the lowest cost and transforming strategically positioned existing infrastructure into a hub for renewable energy.

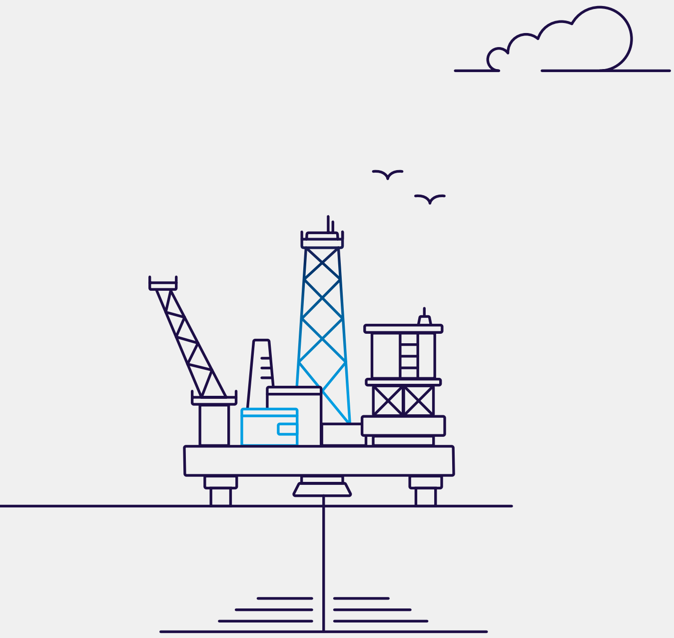
Read more about our opportunities on pages **22 to 23**

Decommissioning

Managing end-of-life production and delivering safe, cost-efficient and low-carbon decommissioning is a natural next phase to our Upstream operations.

Read more about our capability on pages **20 to 21**





Find out more online
www.enquest.com
For a description of the Group's segmental reporting see note 3 Segment information on page 128.

Highlights

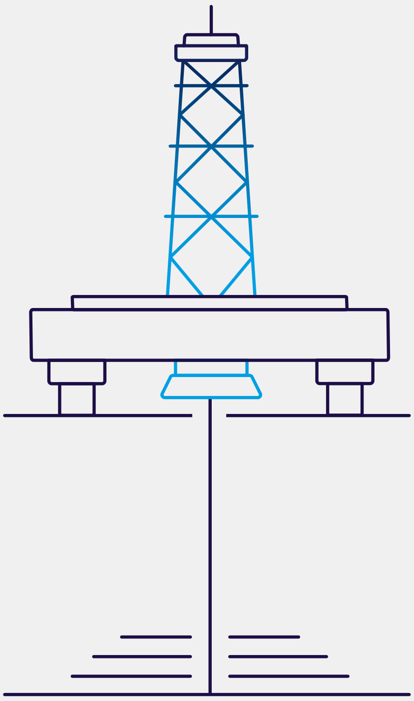
Strong free cash flow generation, a value-enhancing acquisition and continued debt reduction.

Production in the year was primarily impacted by a combination of well and topside integrity-related outages at Magnus and natural declines across the portfolio.

The Group's adjusted EBITDA increased 34.9% to $742.9 million, primarily reflecting materially higher revenue. Profit before tax of $352.4 million is primarily driven by higher crude oil revenue and a net non-cash impairment reversal (2020: loss before tax of $566.0 million primarily driven by a non-cash impairment charge).

The material increase in realised oil price underpinned strong free cash flow generation, which enabled the payment of $249.7 million cash consideration for the Golden Eagle acquisition, repayments of the BP vendor loan and Sculptor Capital facility and an overall reduction in net debt to $1,222.0 million.

The Golden Eagle acquisition has strengthened the portfolio, adding significant cash generating capability to the Group, while the Bressay and Bentley acquisitions provide EnQuest with longer-term potential development opportunities.



ALTERNATIVE PERFORMANCE MEASURES[1]

Operating costs ($ million)
321.0
−2.3%

Adjusted EBITDA ($ million)
742.9
+34.9%

Free cash flow ($ million)
396.8
+88.5%

Read more in the Finance review **See page 26**

STATUTORY PERFORMANCE MEASURES

Revenue and other operating income ($ million)[2]
1,265.8
+46.5%
2020 (restated): 863.9

Profit/(loss) before tax ($ million)
352.4
2020: (566.0)

Basic earnings/(loss) per share (cents)[2]
21.7
2020 (restated): (29.0)

Net cash flow from operating activities ($ million)[2]
674.1
+29.3%
2020 (restated): 521.4

Net assets/(liabilities) ($ million)[2]
520.8
+471.1%
2020 (restated): 91.2

Read more in the Financial statements **See page 118**

Notes:
1 See reconciliation of alternative performance measures within the 'Glossary – Non-GAAP measures' starting on page 170. In 2020, the Group highlighted free cash flow per barrel of oil equivalent as an alternative performance measure to enable a reader to assess the Group's resilience in the unusually low oil price that prevailed in the immediate aftermath of the COVID-19 pandemic
2 Comparative information for 2020 has been restated. For more information, see note 2 Basis of preparation – Restatements

Key performance indicators

A: HSEA
Group Lost Time Incident frequency rate[1]

–4.5%

2021	0.21
2020	0.22
2019	0.57

In occupational safety, Lost Time Incident ('LTI') performance was good, with many assets recording an LTI-free year.

B: Net production
Boepd

–24.9%

2021	44,415
2020	59,116
2019	68,606

Production at Kraken and PM8/Seligi was in line with expectations, but Group performance was impacted by well integrity and topside issues at Magnus, outages due to planned maintenance and a subsea power umbilical failure at the Greater Kittiwake Area, the impact of the detached riser at PM8/Seligi and natural declines across the Upstream portfolio. This was partially offset by the contribution from Golden Eagle.

C: Unit opex[2]
$/Boe

+34.9%

2021	20.5
2020	15.2
2019	20.6

Average unit operating costs were primarily impacted by lower production. Absolute operating costs were broadly in line with 2020, with increased maintenance and integrity spend at Magnus, lower lease charter credits at Kraken and higher emissions trading scheme costs offset by lower tariff and transportation costs.

D: Cash generated by operations
$ million

+33.5%

2021	756.9
2020	567.2
2019	993.4

Strong cash generated by operations was driven by higher revenue reflecting higher realised oil prices.

E: Cash capital[2] and abandonment expense
$ million

–32.0%

2021	117.6
2020	173.0
2019	248.6

Cash capital expenditure in 2021 primarily related to licence to operate activities, the Magnus production enhancement campaign and pipeline replacement costs at PM8/Seligi.

Cash abandonment expenditure increased, reflecting decommissioning activities at Heather, Thistle and the Dons.

F: Net debt[2]
$ million

–4.5%

2021	1,222.0
2020	1,279.7
2019	1,413.0

Strong free cash flow generation was partially offset by consideration paid for the acquisition of Golden Eagle and the early voluntary repayment of the BP vendor loan. The Group has continued voluntarily to make early repayments of its senior secured credit facility.

G: Net 2P reserves
MMboe

+2.6%

2021	194
2020	189
2019	213

During the year, the Group produced 8.2% of its year-end 2020 2P reserves base. This reduction was more than offset by the 2P reserves added through the Golden Eagle acquisition.

H: Scope 1 and 2 emissions
tCO_2e[3]

–14.7%

2021	1,145,273
2020	1,342,765
2019	1,511,650

With power generation and flaring major sources of emissions, lower production does not always lead to reduced emissions. In 2021, emissions were reduced through operational improvements, such as: compressor remapping at Kittiwake reducing flaring; and the commissioning of a waste heat recovery unit at Kraken reducing diesel usage.

Notes:
1 Lost Time Incident frequency represents the number of incidents per million exposure hours worked (based on 12 hours for offshore and eight hours for onshore)
2 See reconciliation of alternative performance measures within the 'Glossary – Non-GAAP measures' starting on page 170
3 tCO_2e: tonnes of CO_2 equivalent

We are EnQuest

An independent energy company with operations in the UK and Malaysia. We aim to extend the useful lives of existing infrastructure in a responsible manner, helping fulfil energy demand requirements as part of the transition to a low-carbon world.

ASSETS

Our people

Our people are critical to our success. With diversity and inclusion central to our ways of working, we aim to attract, retain and develop a wide range of talent in the organisation. We pursue growth and learning opportunities to unlock our full potential as individuals, teams and the Group as a whole. We have an experienced and long-tenured management team with a proven track record of value creation and growth.

Read more in our People, Board of Directors and Executive Committee sections
See pages 40 to 41, and 58 to 61

Established infrastructure

With our focus on responsibly managing existing assets, we aim to optimise production, leverage existing infrastructure, deliver a strong decommissioning performance and explore new energy and decarbonisation opportunities.

We have five core offshore producing hubs (four of which we operate), one strategically advantaged onshore processing terminal and are responsible for decommissioning four non-producing assets.

Read more in our Operating review
See pages 16 to 23

Capital providers

We have supportive equity and debt investors who provide capital through traditional and innovative financing structures to enable management to execute the Group's strategy in a responsible manner.

Read more in our Finance review, Director's report and notes to the accounts
See pages 26 to 31, 100 to 104, and 122 to 162

Partners and suppliers

We aim to build long-term relationships with suppliers based on respect and collaboration, including the development of mutually beneficial creative solutions. We work with suppliers who maintain the highest level of HSE leadership, exceed our expectations in delivering the best quality at competitive pricing, and are committed to our corporate code of business conduct.

STRATEGIC PILLARS

Operational excellence

This underpins everything we do, with a focus on SAFE Results.

In our Upstream operations, we strive to responsibly enhance production efficiency and oil and gas recovery through focused improvement programmes.

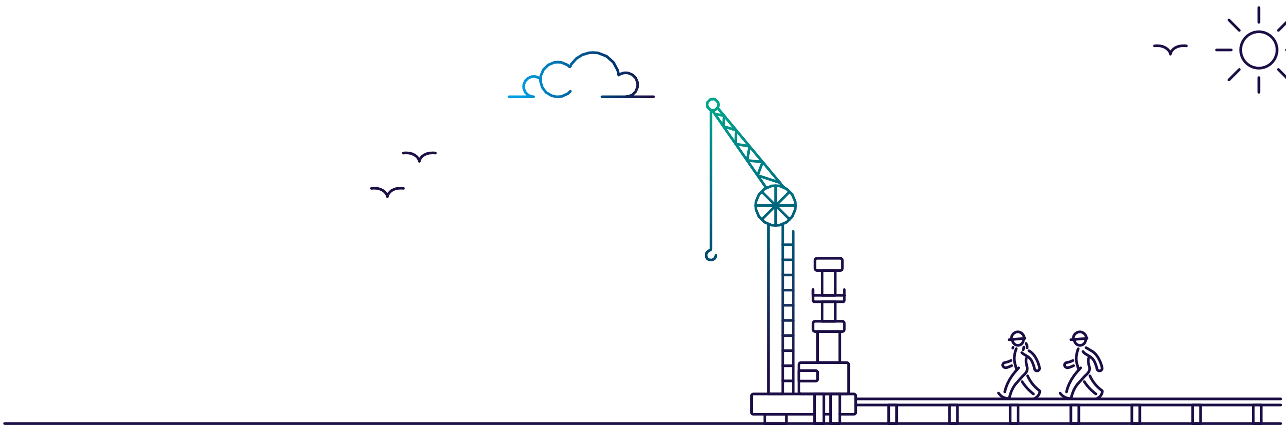
In our Decommissioning directorate, we aspire to be the experts in managing end-of-field life production and the delivery of safe, cost-efficient and low-carbon decommissioning programmes.

In our Infrastructure and New Energy business, we aim for safe and reliable performance at the Sullom Voe Terminal and its related infrastructure.

Differential capability

We have significant in-house technical and operating experience across Upstream, Infrastructure and Decommissioning operations.

As an industry leader in drilling and subsea tie-backs, we are able to realise value from existing producing assets by adding reserves and extending their useful lives.



VALUE CREATION IN 2021

Financial discipline

We focus on capital allocation that prioritises positive cash flow generative investment and the effective management of EnQuest's capital structure and liquidity, including an active hedging strategy that underpins resilient cash flows even at lower oil prices.

With a focus on short-cycle projects, we can adjust our capital allocation decisions to match the prevailing oil demand and price environment, balancing debt reduction, the development of our existing portfolio, the acquisition of suitable growth opportunities and returns to shareholders.

Value enhancement

We employ a cost conscious approach and implement innovative initiatives to add value to our operations. Innovative transaction structures facilitate getting the right assets into the right hands.

We are also exploring opportunities to leverage the existing infrastructure in the pursuit of renewable and decarbonisation opportunities.

We are disciplined in our assessment of acquisition opportunities, taking our time to find the right ones that fit our portfolio and capabilities at the right price.

Our people

Employee and contractor staff costs ($ million)

137

Employee and contractor staff (#)

734

Growth and learning opportunities included conscious inclusion, leadership and job-specific training.

Investors

Free cash flow generation[1] ($ million)

397

Cash interest and net debt repayments ($ million)

122

Governments, regulators and communities

Scope 1 and 2 emission reductions ($ktCO_2e^2$)

197

Charitable donations ($000)

184

Suppliers and customers

Operating expenditures[1] ($ million)

321

Capital and abandonment expenditures[1] ($ million)

118

Sales volumes[1, 3] (MMboe)

18.4

Notes:
1 See reconciliation of alternative performance measures within the 'Glossary – Non-GAAP measures' starting on page 170
2 $ktCO_2e$: thousand tonnes of CO_2 equivalent
3 Includes volumes related to onward sale of third-party gas purchases not required for injection activities at Magnus

Stakeholder engagement

Section 172 Statement

The Directors have always had regard for the potential impact of the Group's activities on its various stakeholders. In the majority of cases, information and feedback is provided throughout the year to the Directors by the Group's Executive Directors, senior and functional management and external advisers through a variety of Board reports, presentations and ad hoc correspondence. When appropriate, the Directors may advise further engagement is required, which could potentially be direct engagement by the relevant Director, and/or request additional information to ensure they have a full appreciation of a given situation prior to making any decisions. As such, the Directors are able to assess the impact of business decisions on stakeholders and fulfil their duty to promote the long-term success of the Company.

The Directors consider principal decisions (outlined on the following page) on the basis of materiality with regard to the incremental impact these are anticipated to have on the Company's stakeholders and/or the Company itself.

Stakeholder groups	Direct Board level	Other engagement activities in 2021
A. Our people Our employee and contractor workforce is critical to the delivery of SAFE Results and EnQuest's success. As such, we are committed to ensuring EnQuest remains a great place to work. We have a strong set of Values that underpin our way of working and provide a rewarding work environment, with opportunities for growth and learning while contributing to the delivery of our strategy.	Global employee forum meetings with designated Non-Executive Directors; video messages; subject matter expert virtual and physical attendance at Board and Board Committee meetings; physical and virtual safety leadership engagement visits; and interactive virtual town halls.	See the accompanying principal decisions on page 7 and pages 40 to 41 of the ESG section which detail the various people-related initiatives implemented during the year, including the employee survey and those related to our people's safety and wellbeing.
B. Investors Our investors support management in the execution of EnQuest's business strategy, including the provision of capital for management to develop the business in order to deliver returns in a responsible manner.	Virtual and physical meetings (including the Annual General Meeting and multiple investor conferences), calls and direct correspondence with a wide range of equity and debt investors in relation to the Group's delivery against its strategic objectives.	See the accompanying principal decisions on page 7 and the Strategic report on pages 2 to 57, which explains the Group's performance and investment decisions during 2021. Pages 66 to 67 of the Corporate governance statement outline in more detail how the Group engages with its investors.
C. Partners We collaborate with our joint venture partners, securing their support to deliver our asset plans. We value their contribution to the effective operational and financial management of our assets as we deliver on our business strategy.	Virtual and physical meetings and calls.	The Group has regular engagement with its joint venture partners on day-to-day asset management and the execution of the longer-term asset strategy. This occurs through a combination of formal interactions, governed by joint operating agreements, and via informal engagement. See pages 16 to 23 of the Strategic report for further details on operational and financial activities and decisions undertaken across our assets. Joint venture partners are recognised as one of the Group's Principal risks and uncertainties on page 52.
D. Host governments and regulators EnQuest works closely with the host governments and regulators in the jurisdictions in which it operates. The Group complies with the necessary regulatory requirements, including those related to environmental matters such as reducing emissions, to ensure the Group maintains a positive reputation and licence to operate, enabling the effective delivery of the Group's strategy.	Video meetings and calls with the North Sea Transition Authority ('NSTA') in the UK and Malaysian Petroleum Management in Malaysia.	See the Strategic report on pages 2 to 41 and the Group's Principal risks and uncertainties on pages 42 to 53, which outline EnQuest's strong relationships with governments and regulators. Pages 36, 38 and 57 of the ESG section and pages 100 to 105 of the Directors' report outline further details on the Group's regulatory compliance activities.
E. Suppliers EnQuest relies on its suppliers to provide specialist equipment and services, including skilled manpower, to assist in the delivery of SAFE Results.	None	The Group has continued its active and positive engagement with its suppliers through various supplier forums, performance reviews, ad hoc virtual meetings and industry events. The Group continues to monitor and report its supplier payment performance. Please also see the Group's Principal risks and uncertainties on pages 42 to 53, a number of which are impacted by the Group's supplier relationships.
F. Communities Making a positive contribution and appropriately managing our environmental impact in the communities in which we live and work around the world remains a key part of our activities. Our communities provide a potential source of employees, contractors and support services, and are important in supporting EnQuest's social licence to operate and maintaining a positive reputation.	A virtual presentation from the Chairman of the MyKasih Foundation in Malaysia was held during the year.	See the accompanying principal decisions on page 7 and pages 32 to 35, and 39 of the ESG section which outline the Group's community engagement activities and environmental considerations, with the importance of maintaining a positive reputation outlined in the Group's Principal risks and uncertainties on page 52.
G. Customers Our customers help facilitate the provision of hydrocarbon-related products to meet a variety of consumer demands and, as such, require a reliable supply of hydrocarbons to meet their needs.	None	The Group has maintained strong relationships with its existing customers, including fuel oil blenders to whom it supplies Kraken oil as an unrefined constituent of IMO 2020 compliant low-sulphur bunker fuel.

Principal decision and impacted stakeholders	Stakeholder considerations and impact on the long-term sustainable success of the Company
Refinancing the Group's senior secured lending facility with a new reserves-based lending ('RBL') facility Impacted stakeholders: A, B, C, E and G	Historically, significant leverage has been used to fund the Group's growth, which has included periods of low oil prices, and this has enabled the Group to maintain liquidity to fund capital expenditure and working capital. The Group has materially reduced its overall debt position since the peak of 2017. Around the end of 2020, the Group was assessing the Golden Eagle asset acquisition, which would require funding from both the lending market and the equity market. Consequently, the Board considered the most appropriate debt structure that would best allow the Group to meet these needs. The agreed RBL facility ensured that the Group was able to meet its maturity obligations with previous lenders, simplify its overall debt structure, underpin the Golden Eagle acquisition to generate material value for equity shareholders and ensure that the Group maintained adequate liquidity to meet its ongoing working capital and capital expenditure requirements. For further information, see pages 26 to 31 of this Strategic report and note 18 to the financial statements.
Golden Eagle acquisition Impacted stakeholders: A, B, C, D, E and G	EnQuest's growth since inception has been through a combination of organic developments and strategic, disciplined acquisitions. In considering the acquisition, the Directors demonstrated it would provide the Group with the opportunity to gain a material interest in a high-quality, low-cost, mid-life asset with a strong safety record and low emissions intensity that would materially enhance production and cash generation and accelerate the partial use of the Group's significant UK tax assets. The funding of the acquisition was undertaken through a combination of proceeds raised from the new RBL facility, equity investors, existing cash balances and interim period post-tax cash flows from the Golden Eagle asset. The Directors considered that the firm placing, placing and open offer would result in some equity dilution to those shareholders who were not able to, or chose not to, participate in the offer, but that all shareholders would be able to benefit from material value creation expected from the acquisition, with post-acquisition net present value estimated at c.$170 million[1]. The Board was also cognisant that the acquisition diversified the Group's production base without requiring significant changes to the organisation to manage the Golden Eagle asset. Working alongside an established UK North Sea operator, CNOOC, EnQuest's employees will have the opportunity to contribute to the existing joint venture partnership through their proven expertise and capabilities in drilling and subsea tie-backs. Since completion of the acquisition, the Golden Eagle asset has contributed to the Group's performance and with a supportive macro environment is anticipated to deliver enhanced cash flows and value, contributing to a rapid reduction in the Group's overall debt position. For more information, see pages 10 to 31 of this Strategic report and note 10 of the Financial Statements.
Diversity strategy and associated policy Impacted stakeholders: A, B, C, D and F	EnQuest's Values incorporate Respect and Openness and the Group is committed to providing an inclusive culture that enables the development of creative solutions to deliver performance and value, allowing employees to have enjoyable and fulfilling careers. The Board recognises that successful companies are diverse and inclusive, where different perspectives are proactively sought and heard and agreed that implementing a formal strategy and associated policy will embed actions into the Group's workplace policies and procedures to drive positive change. Clear targets for improving the organisation's diversity, which at a Board level are aligned to the recommendations of the original recommendations of the FTSE Women Leaders (formerly known as Hampton-Alexander) and Parker reviews, demonstrate to current and future employees and other stakeholders the Group's commitment in this regard. For more information, see the 'Our people' section on pages 40 to 41.
Establishment of an Infrastructure and New Energy business Impacted stakeholders: A, B, C, D, E, F and G	The establishment of the Infrastructure and New Energy business, with responsibility for EnQuest's existing operations at SVT, delivering the Group's emissions reduction targets and unlocking long-term renewable energy and decarbonisation opportunities, is aligned to the Group's purpose. The new business will focus on strengthening and extending the life of operations at SVT and assessing and delivering new energy opportunities through innovative commercial structures over the medium to long term to create a hub of growth in infrastructure and renewables at SVT. The Board considered this an important step in attracting and retaining investment and talent, potentially providing long-term employment opportunities in Shetland. For more information, see the 'Infrastructure and New Energy' section on pages 22 to 23.
Setting a Scope 1 and 2 absolute emissions reduction target Impacted stakeholders: A, B, C, D and F	To balance many stakeholder interests, EnQuest believes in a measured approach to absolute emissions reductions from its operated assets. As such, the Group set a target, linked to Executive Directors' and applicable employees' reward, to reduce absolute Scope 1 and 2 CO_2 equivalent emissions from its existing operations by 10% over the period 2021 to 2023. For more information, see the 'Environment' section on pages 34 to 35.

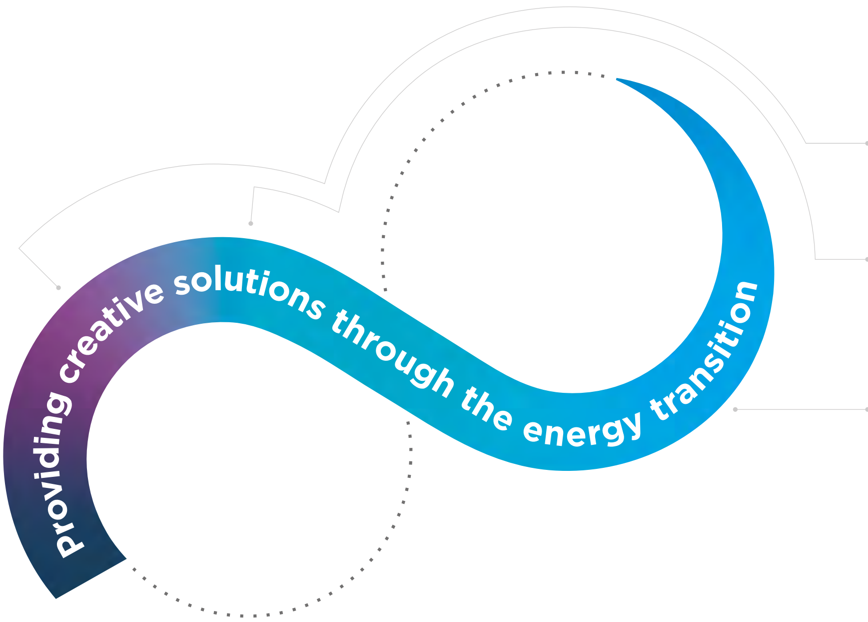
1 Per Gaffney, Cline & Associates Competent Persons Report estimates and oil price assumptions of: 2021: $51/bbl, 2022: $54/bbl, 2023: $57/bbl, 2024+: $60/bbl

Our purpose

Providing creative solutions through the energy transition is what EnQuest focuses on across all its operations.

Through harnessing the creative energy from all its staff, the Group will safely and sustainably produce existing oil and gas resources through established infrastructure, develop a world-class decommissioning capability and advance new energy and other decarbonisation opportunities.

OUR PURPOSE



As an oil and gas company we are focused on **providing** the **energy** society needs.

We think **creatively** across our business... from operations... to contracts and procurement... to asset transactions.
We focus on SAFE Results and reducing our environmental impact as society **transitions** to a cleaner world.

PURPOSE IN ACTION

In recognition of the creative solutions our teams can produce, EnQuest launched the Purpose in Action Award in March 2021, announcing two winners at the Global Town Hall in September.

Accelerated Seligi B wells reinstatement

The offshore team adopted an innovative approach to provide an alternative gas lift source to enable production to be restored well ahead of the planned Seligi A to B riser replacement.

Kraken tether replacement

A multi-function team implemented a creative approach to the riser tether replacement programme at Kraken which resulted in no impact to production and reduced vessel support time, saving millions of pounds and avoiding the deferral of 30 kbbls of production.

OUR VALUES

Our Values embody everything the Company stands for and our purpose is intrinsically linked with our Values.

Safety sits at the core of everything we do as we strive for SAFE Results with no harm to people and respect for the environment. We conduct our business and our professional relationships with respect and openness, ensuring a diverse range of ideas are shared and considered. We work collaboratively to achieve strong results, driving a focused business to achieve success, always pursuing growth and learning opportunities to unlock our full potential as individuals, teams and the Group as a whole.

Well positioned

Overview

Our rapid response to the challenges of 2020 ensured the Group entered 2021 in a good position to capitalise on the positive momentum in macroeconomic conditions throughout the year. Global restrictions relating to the COVID-19 pandemic were eased, resulting in increasing global oil demand. At the same time, strong levels of supply agreement compliance by OPEC+, reduced inventory levels and limited other spare capacity saw oil prices increase materially, reaching a high of c.$86/bbl in October 2021. The improved oil price enabled EnQuest to generate material free cash flow, facilitating the Golden Eagle acquisition and a further reduction in the Group's net debt. This strong cash flow performance also allowed the Group to simplify the debt structure, to draw down less than was anticipated from our new reserve-based lending facility and make early voluntary repayments in line with our strategic objective of deleveraging.

Operationally, the Group faced some challenges, particularly with the Magnus asset and the backdrop of the COVID-19 pandemic, which required our people to be focused and flexible in the formulation and execution of work scopes across our operations. While there was a general easing of COVID-19 related restrictions, we remained dedicated to protecting both our people and our operations, aligning procedures to the evolving government and industry guidance and maintaining robust working practices to minimise risk.

In what was another busy and productive year, I would like to thank our people for their ongoing commitment and professionalism throughout.

Reducing emissions

2021 saw a continuation of stakeholder and regulator focus on the need for companies to do more to decarbonise society. With the COP 26 being held in Scotland, the UK Government, working alongside the industry body Offshore Energies UK, announced a series of Scope 1 and 2 emission reduction targets through to 2030 against which we are committed to deliver. As you will read later in this report, at the end of 2021, we were ahead of both our own internal reward-linked emission reduction targets and those set out in the UK Government's North Sea Transition Deal. In support of the Group's long-term energy transition ambitions, an Infrastructure and New Energy business was established during 2021 with overall responsibility for delivering the Group's emission reduction targets and assessing potential decarbonisation opportunities.

EnQuest remains fully committed to playing its part in the drive towards global decarbonisation.

Committed to improving diversity

There also remained a drive for companies to be more diverse and inclusive, from the boardroom to the workforce, and I am pleased with the progress we have made in this respect.

There is a strong commitment across the organisation to creating a more diverse workplace and EnQuest was recognised for its efforts in this area as a finalist at the 2021 OGUK awards in the category of Diversity and Inclusion.

Diversity has always been a key consideration for our recruitment and, during 2021, the Board approved the Group's diversity and inclusion strategy and associated policy, within which several diversity targets have been set at both Board and senior leadership levels to be achieved by 2025. The Board has voluntarily adopted the original recommendations of the FTSE Women Leaders Review (formerly the Hampton-Alexander Review) and the recommendations of the Parker Review. As part of our succession planning process, we will continue to review the composition of our Board, taking account of evolving stakeholder guidelines.

Governing well

The externally facilitated Board evaluation showed the Board continues to be effective and performs well. In particular, the skills and diversity of the Board were highlighted as a positive. This reflects positively on our succession planning process, which remains an important part of both the Governance and Nomination Committee and the Board's deliberations. In February 2021, we welcomed Liv Monica Stubholt to our Board and in January 2022 we have been joined by Rani Koya. As part of our orderly succession planning, Philip Holland will be leaving the Board in May 2022. On behalf of the Board, I would like to thank Philip for his valuable contribution to the Group, particularly in his role as Chair of the Safety, Climate and Risk Committee where he has overseen improvements to our risk management processes and our response to the various climate change-related risks faced by the Group. Following Philip's departure, the Board will be in line with the original recommendations of the FTSE Women Leaders Review recommendations, noting it already meets targets set by the Parker Review.

Martin Houston
Chairman

The Sullom Voe Terminal

Board female members (%)

Board members of colour (%)

Looking ahead

The start of 2022 has seen another dramatic change in the global geopolitical landscape with the unfolding tragedy in Ukraine. The ensuing humanitarian crisis is an atrocity and our thoughts are with all those affected. As a responsible company, we have reviewed our commercial arrangements and do not consider we have any adverse exposure to the situation. We will continue to monitor our position to ensure we remain compliant with, and support, any sanctions in place.

This crisis has further heightened awareness around the need for affordable and secure energy supplies, coming so swiftly after the rapid escalation in gas prices over the winter. While such drivers of change are not those anyone wanted to see, it is important there is a more balanced debate with regard to the energy transition. There is now an increasing recognition of the part the oil and gas industry will play in a responsible transition to a lower-carbon society. EnQuest is well positioned as a transition company, operating responsibly across upstream and decommissioning while developing options within the new energy landscape. I am confident the energy transition will provide us with several opportunities to create value for our stakeholders. We will continue to be disciplined in our assessment of these opportunities, taking our time to find the right ones that fit our portfolio and capabilities at the right price.

The acquisition of Golden Eagle has strengthened the business, adding a highly cash-generative asset to the portfolio. At prevailing oil prices, we have the ability to balance investment in our existing asset base while further accelerating the Group's debt reduction objectives. As part of this, we continue to explore options to refinance our retail and high yield bonds ahead of maturity in October 2023.

I am excited about our future.

Martin Houston
Chairman

"Steering energy companies in today's environment requires great skill, patience and determination. At EnQuest, we are well positioned for the challenges ahead and we will continue to focus on being the best we can possibly be, for all our stakeholders."

A transition company

Overview

We continued to make good progress against our strategic objectives of deliver, de-lever and grow. The acquisition of the Golden Eagle asset has further strengthened our portfolio, while the low-cost acquisitions of material resources at Bressay and Bentley provide us with future near-field development opportunities that can utilise our heavy oil expertise and differential capability in subsea drilling and tie-backs. Production in the year was primarily impacted by a combination of well and topside integrity-related outages at Magnus and natural declines across the portfolio. At Kraken, the floating production, storage and offloading vessel continued to perform well and production at PM8/Seligi was in line with expectations. We demonstrated our decommissioning project capability with significant levels of activity throughout 2021 and have established an Infrastructure and New Energy business with overall responsibility for advancing renewable energy and decarbonisation opportunities. During 2021, the Group also made excellent progress in reducing its absolute Scope 1 and 2 emissions, with CO_2 equivalent emissions reduced by 14.7%. Since 2018, UK Scope 1 and 2 emissions have been reduced by 43.5%, which is significantly ahead of the UK Government's near-term North Sea Transition Deal targets.

As always, the safety of EnQuest's people and assets remained an absolute priority. I was particularly pleased to see the Group's Lost Time Incident ('LTI') performance remained 'top quartile' with a Group LTI frequency[1] of 0.21.

We also continued to evolve our approach to managing COVID-19 to keep our people safe. However, we received a number of improvement notices from the UK Health & Safety Executive ('HSE') relating to our Magnus and SVT operations. We continue to improve further our process safety arrangements and all notices have been or will be fully complied with in accordance with the agreed activity set and timetable.

2021 also saw strong demand for oil which, when combined with supply-side constraints, led to oil prices recovering strongly. The Group's average realised oil price in 2021, including the impact of its commodity hedge programme, was $68.6/bbl, up 66.4% from $41.3/bbl in 2020. This improved commodity price environment enabled the Group to generate strong free cash flow of $396.8 million, an increase of $186.3 million from 2020, and lower net debt to $1,222.0 million, its lowest level since 2014.

Operational performance

EnQuest's average production decreased by 24.9% to 44,415 Boepd, primarily driven by topside and well integrity related outages at Magnus and expected natural declines across the portfolio, partially offset by the contribution from Golden Eagle following completion of the acquisition on 22 October 2021. The natural declines were to a large extent a consequence of the necessary pause in the Group's drilling programme following materially lower oil prices experienced in 2020 and into 2021.

Kraken continued to perform well, delivering top quartile production efficiency of 88% and gross production in line with guidance. During the fourth quarter of 2021, the asset reached the milestone of more than 50 MMbbls (gross) produced since first oil; a great achievement by the combined EnQuest and Bumi Armada team. The 3D seismic gathered during the summer will allow the Group to evaluate fully the development potential of the western area of the field in addition to supporting ongoing optimisation of the main Kraken field, including potential infill opportunities. At PM8/Seligi, initial production recovery activities were accelerated, offsetting the delayed riser replacement, while at the Greater Kittiwake Area the power umbilical supporting the Mallard and Gadwall wells was successfully replaced in September, restoring both wells to production. However, production at Magnus was disappointing. Performance was impacted by well integrity and topside issues, an unplanned third-party outage and natural decline. During the year, a production enhancement programme was undertaken, restoring four wells to production, although a compressor gearbox failure in September resulted in single compression train operations for much of the fourth quarter.

1 Lost Time Incident frequency represents the number of incidents per million exposure hours worked (based on 12 hours for offshore and eight hours for onshore)

Amjad Bseisu
Chief Executive

Kraken FPSO vessel

Production
Boepd

44,415

Free cash flow
$ million

396.8

Net debt
$ million

1,222.0

During the year, we produced 8.2% of our year-end 2020 2P reserves base. However, with the acquisition of Golden Eagle adding c.18 MMboe at the end of 2021, the Group's 2P reserves at the end the year were around 194 MMboe, marginally higher than the c.189 MMboe at the end of 2020. Following the acquisitions of interests in the Bressay field and the Bentley discovery in the UK, 2C resources increased by 145.1% from the end of 2020 to around 402 MMboe, with both fields each adding more than 100 MMboe of net 2C resources. Other material 2C resources are located at Magnus and Kraken in the UK and PM8/Seligi and PM409, offshore Malaysia.

Following our decisions in 2020 to permanently cease production at several of our highest cost assets, 2021 saw an associated increase in decommissioning activity enabling the Group to demonstrate its decommissioning project capability. Activities were focused on well abandonments at Heather, platform re-habitation and other preparatory activities ahead of the planned well abandonment programme at Thistle, and cessation of production at the Dons field, including the removal of the Northern Producer Floating Production Facility.

In August, the Group established an Infrastructure and New Energy business to support the ongoing transformation of SVT and EnQuest's energy transition ambitions. The new business will focus on strengthening and extending the life of operations and assessing and delivering new energy opportunities over the medium to long term to create a hub of growth in infrastructure and renewables at SVT.

Constructive initial engagement with a variety of stakeholders, including potential technical and financial partners, is ongoing.

Financial performance

The Group's adjusted EBITDA and statutory gross profit increased by 34.9% to $742.9 million and 453.0% to $358.2 million, respectively, reflecting the material increase in realised oil prices partially offset by lower production. Operating costs for the year of $321.0 million were slightly lower than 2020, although reflected higher emissions trading scheme costs and additional remediation expenditures at Magnus. Unit operating costs increased to $20.5/Boe primarily reflecting lower production. Cash generated by operations increased to $756.9 million, up 33.4% compared to 2020, with free cash flow generation of $396.8 million.

During the year, we successfully refinanced our previous senior credit facility ('RCF') into a new senior secured debt facility ('RBL') of up to $750.0 million. The strong cash flow performance and refinancing ultimately led to a simplified debt structure, with a lower than expected utilisation of the facility, an early voluntary repayment of $70.0 million, repayments of the BP vendor loan and Sculptor Capital facility, and enabled the payment of $249.7 million cash consideration for the Golden Eagle acquisition.

Environmental, Social and Governance

Environmental

Managing existing assets in a responsible and sustainable manner is a key part of the energy transition. We recognise that industry, alongside other key stakeholders such as governments, regulators and consumers, must contribute to reducing the impact on climate change of carbon-related emissions. We are committed to playing our part in the achievement of national emissions reduction targets, with the Infrastructure and New Energy business having overall responsibility for delivering the Group's emission reduction objectives. As outlined earlier, we have made excellent progress in reducing absolute Scope 1 and 2 emissions during the year and are significantly ahead of the Group's targets and those set by the UK Government's North Sea Transition Deal. We continue to optimise sales of Kraken cargoes directly to the shipping fuel market, avoiding emissions related to refining and helping reduce sulphur emissions in accordance with the IMO 2020 regulations.

EnQuest's Infrastructure and New Energy business is assessing renewable energy and decarbonisation opportunities using the existing infrastructure at the Sullom Voe Terminal. We are working collaboratively with Shetland Island Council, Project ORION and the Net Zero Technology Centre, to better understand how we can contribute further to the industry approach to achieving net-zero, whilst remaining aligned with EnQuest's strategy and Values.

Social – Health and safety

EnQuest's absolute priority has consistently been SAFE Results, no harm to our people and respect for the environment, and there remains a strong safety culture throughout the organisation, clearly evidenced by recording a Group LTI frequency[1] of 0.21, an improvement on 2021 and slightly better than the International Association of Oil and Gas Producers benchmark of 0.22. We also continued to reduce the number of reportable hydrocarbon releases in both the UK and Malaysia. The Group-wide asset integrity review has brought additional focus to cost allocation in key risk areas that could impact asset integrity.

Social – People

Improving workforce diversity and inclusion ('D&I') across the organisation remains a key focus area for the Group. Good progress has been made with the Group-wide D&I strategy and associated policy now embedded in the overall strategy of the business. The D&I strategy includes several targets to improve female and ethnic minority representation in leadership and executive roles by 2025. A number of initiatives continued throughout the year and I was delighted to see EnQuest nominated as one of three finalists for the 2021 OGUK Diversity & Inclusion Award. Recognition as a finalist has further reinforced our commitment to our strategy and direction of travel in relation to D&I.

Social – Communities

In 2021, we extended the remit of the Remuneration Committee to include social responsibility, covering the Group's external support of charitable works and education initiatives. In Malaysia, we continued to sponsor university students to study STEM-related subjects and supported the 'IChemE' accreditation of the Chemical and Process Engineering programme at the National University of Malaysia. We also sponsored and participated in the programme to replant 380 mangrove trees covering an approximate wetland area of 900m^2 within the Kuala Selangor Nature Park. In the UK, local community support included financial contributions to charitable organisations throughout the year and the provision of internship placements in roles from Upstream to Communications to young student engineers connected to the Association for Black and Minority Ethnic Engineers. We also extended our partnership with the University of Bradford's Professor of Practice in Sustainability and Energy Futures within the School of Management, Law and Social Sciences.

1 Lost Time Incident frequency represents the number of incidents per million exposure hours worked (based on 12 hours for offshore and eight hours for onshore)

Richard Hall, Managing Director – Malaysia, with team members on the Seligi Alpha platform

Production guidance
Boepd

44,000 – 51,000

2022 performance and outlook
Production performance to the end of February was 50,408 Boepd. Our full year net production guidance of between 44,000 and 51,000 Boepd is underpinned by our largest well programme since 2014, including infill drilling and workover campaigns at Magnus, Golden Eagle and PM8/Seligi which are expected largely to mitigate natural declines at these fields.

With an enlarged portfolio, increased activity set and higher emissions and diesel costs as a result of higher market prices, operating costs are expected to be approximately $430 million, while capital expenditure is expected to be around $165 million. Abandonment expense is expected to total approximately $75 million, primarily reflecting well P&A decommissioning programmes at the Heather/Broom and Thistle/Deveron fields.

"The acquisition of the Golden Eagle asset has further strengthened our portfolio, while the low-cost acquisitions of material resources at Bressay and Bentley provide us with future near-field development opportunities linked to our core capabilities."

Longer-term development

EnQuest's business has been strengthened by the acquisition of the Golden Eagle asset which has added significant cash-generating capability to the Group, while the supportive macro environment and higher oil prices provide the opportunity for continued debt reduction while selectively investing in its low-cost, short-cycle, quick payback well portfolio to offset natural declines. The acquisitions of Bressay and Bentley have added almost 250 MMboe of 2C resources, adding to those already in place at Magnus, Kraken, PM8/Seligi and PM409, providing EnQuest with longer-term potential development opportunities. At the same time, the Group will continue to be disciplined with respect to M&A opportunities to grow the business further.

With a focus on short-cycle projects, EnQuest can adjust its capital allocation decisions to match the prevailing oil demand and price environment, balancing debt reduction, the development of its existing portfolio, the acquisition of suitable growth opportunities and returns to shareholders. EnQuest's business is strongly positioned to play an important role in the energy transition by responsibly optimising production, leveraging existing infrastructure, delivering a strong decommissioning performance and exploring new energy and further decarbonisation opportunities.

Amjad Bseisu
Chief Executive

Upstream operations

UK Upstream operations[1]

Daily average net production:
Boepd

39,220

–22%

(2020: 50,334)

1 Includes Magnus, Kraken, Golden Eagle, the Greater Kittiwake Area including Scolty/Crathes and Alba

2021 Group performance summary
Production of 44,415 Boepd reflected a strong performance at Kraken and the contribution from Golden Eagle following completion of the acquisition, offset by topside and well integrity related outages at Magnus, planned maintenance and a subsea power umbilical failure at the Greater Kittiwake Area ('GKA') and expected natural declines across the portfolio. The natural declines were to a large extent a consequence of the necessary pause in the Group's drilling programme following materially lower oil prices experienced in 2020 and into 2021.

UK operations

Magnus

2021 performance summary
Production in 2021 was lower than expected at 11,870 Boepd. Performance was impacted by well integrity issues, topside power and compression failures, third-party infrastructure outages and natural decline. A production enhancement programme was undertaken in the second quarter, including a coil tubing campaign, returning four wells to service. Repairs to a compressor gearbox failure which resulted in single train operations during much of the fourth quarter of 2021 were completed, bringing both trains back into operation.

2022 outlook
A shutdown of around three to four weeks is planned in the third quarter to complete scheduled safety-critical activities along with plant equipment upgrades, while further asset integrity maintenance and plant opportunities will continue to be assessed and implemented throughout the year.

It is anticipated that three wells will be drilled in 2022, largely mitigating natural decline at the field, with a further two wells expected to be drilled during 2023. With 2C resources of c.35 MMboe, Magnus offers the Group significant low-cost, quick pay-back drilling opportunities in the medium term.

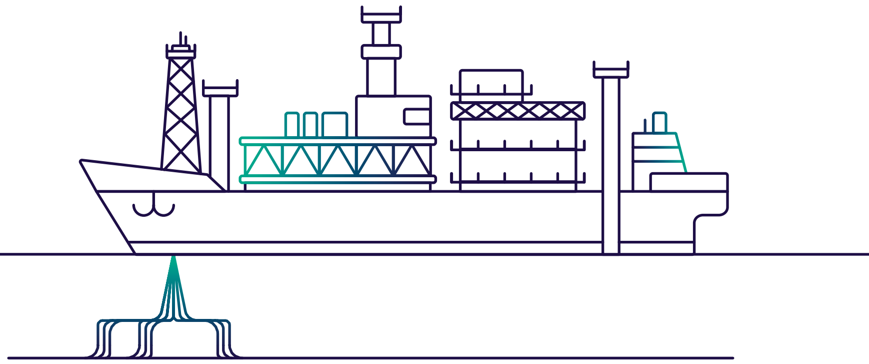
Kraken

2021 performance summary
Average gross production was within the Group's guidance range at 31,155 Boepd (21,964 Boepd net). Overall subsurface and well performance was good with aggregate water cut evolution remaining in line with expectations and the Floating, Production, Storage and Offloading ('FPSO') vessel continued to perform well throughout the year, with top quartile production and water injection efficiency at 88% and 89%, respectively. During the first half of the year, a number of opportunistic maintenance activities were successfully undertaken, allowing for the deferral of the planned shutdown to 2022. However, production was impacted by short duration shutdowns related to the repair of a subsea tether, an oil heater failure and natural decline.

During the fourth quarter of 2021, Kraken production reached the milestones of over 50 million barrels (gross) produced since inception and the 100th cargo offload.

The Group continues to optimise Kraken cargo sales into the shipping fuel market with Kraken oil a key component of IMO 2020 compliant low-sulphur fuel oil. As such, the Group has benefited from strong pricing in the market and avoids refining-related emissions.

Near-field drilling and subsea tie-back opportunities continue to be assessed. A successful 3D seismic campaign was completed in July, providing valuable data for the Group



Golden Eagle

to evaluate fully the development potential of the western area of the field, in addition to supporting ongoing optimisation of the main Kraken field, including potential infill opportunities.

2022 outlook

Over the summer, a two-week shutdown is planned to undertake safety-critical maintenance work.

For the full year, Kraken production is expected to be between 22,000 Boepd and 26,000 Boepd (15,500 Boepd to 18,500 Boepd net), reflecting the planned shutdown and natural decline.

Evaluation of the 3D seismic is ongoing. The Group is currently assessing main field side-track drilling opportunities along with further opportunities within the Pembroke and Maureen sands.

Golden Eagle

2021 performance summary

The acquisition of a 26.69% interest in Golden Eagle was completed on 22 October 2021, contributing 1,701 Boepd to EnQuest on an annualised basis (10,220 Boepd on a pro forma basis). This reflected high uptime and continued good well performance following the infill drilling campaign earlier in the year.

2022 outlook

A two-well drilling campaign is scheduled late in the year and preparations are being undertaken for further infill drilling in 2023. The asset offers further development opportunities subsea and platform infill drilling.

Other Upstream assets

2021 performance summary

Production in 2021 averaged 3,685 Boepd, slightly below expectations. At GKA, which includes Scolty/Crathes, the reduction was driven by a planned four-week shutdown, the failure of a power umbilical to the Mallard and Gadwall wells, gas compression outages and natural decline. The power umbilical was successfully replaced as planned in September, restoring Mallard and Gadwall to production.

At Alba, performance continued in line with the Group's expectations.

At Bressay, detailed analysis of existing reservoir data and an assessment of potential development options, one of which is a potential tie-back to Kraken, continued with strong partner engagement throughout.

2022 outlook

At GKA, a two-week shutdown is planned during the second quarter, in line with a short shutdown of related infrastructure.

At Alba, the partners expect to begin a continuous 2022-2024 drilling programme during the third quarter of 2022. The first wells from this programme are expected to come online during 2023.

At Bressay, it is expected that a field development plan will be developed during 2022, while at Bentley, initial evaluation of the development potential are due to commence in the first quarter of 2022.

Malaysia operations

2021 performance summary

In Malaysia, average production of 5,028 Boepd was 21.9% lower than 2020. This reduction primarily reflected the continued impacts of the detached riser system at the Seligi Alpha platform and the impact of COVID-19 on the execution of various work scopes, although production was in line with expectations following an acceleration of initial production recovery activities in the early part of the year.

In December, the new riser pipeline was successfully laid on the seabed, although final completions were delayed by the late arrival and subsequent availability of the third-party dive support vessel ('DSV'). The riser pipeline was fully installed and commissioned in the first quarter of 2022.

On Block PM409, an area containing several undeveloped discoveries and situated close to the Group's existing PM8/Seligi PSC hub, geotechnical studies have been completed in preparation for future appraisal drilling.

2022 outlook

A two-week shutdown at Seligi to undertake asset integrity and maintenance activities is planned for the summer, which will help to improve reliability and efficiency at the field.

EnQuest has significant 2P reserves and 2C resources of c.20 MMboe and c.86 MMboe, respectively. With a number of low-cost drilling and workover targets having been identified at PM8/Seligi, the Group is expected to drill four infill wells and four workovers during 2022 and plans an annual drilling and workover programme for a number of years thereafter. The Group continues to assess the opportunity to develop the additional gas resource at PM8/Seligi to meet forecast Malaysian demand. At PM409, a well proposal for drilling in 2023 is being developed for approval by the partnership, while a site survey and other associated preparatory activities will also be undertaken.

> "Having restored the Seligi riser in early 2022 and with extensive drilling and workover programmes planned, we are confident we will meet our 2022 targets."
>
> **Richard Hall**
> Managing Director, Malaysia

Decommissioning

2021 performance summary
Average production of 167 Boepd reflected the decision to cease production at the Dons in March 2021. In April 2021, the Northern Producer Floating Production Facility departed the Dons and was handed back to its owners.

At Heather/Broom, the well plug and abandonment ('P&A') programme continued on schedule, while the topsides decommissioning programme was approved by the Secretary of State and topside removal contractors submitted initial tenders in the fourth quarter.

At Thistle/Deveron, the first phase of the platform re-habitation was successfully completed in June, in line with expectations. The subsea integrity campaign concluded in September and platform reactivation and hydrocarbon removal was completed in October.

The EnQuest Producer FPSO remains in warm stack at Nigg while the Group continues to evaluate options.

2022 outlook
At Heather, the well P&A programme is ongoing, with 16 well abandonments scheduled during the year. The drilling rig at Thistle will shortly be reactivated, with 16 wells also anticipated to be abandoned as part of this year's well P&A programme which is planned to start in April. It is expected that topsides and jacket removal contracts will be awarded for both Heather and Thistle later in 2022.

Following Cessation of Production ('CoP') at Alma/Galia, the Dons and Broom, preparations continue ahead of the anticipated commencement of subsea well P&A and infrastructure removal at all three fields, with the target to be execution-ready by the end of 2023.

Q&A

Jon Allan
Decommissioning Director

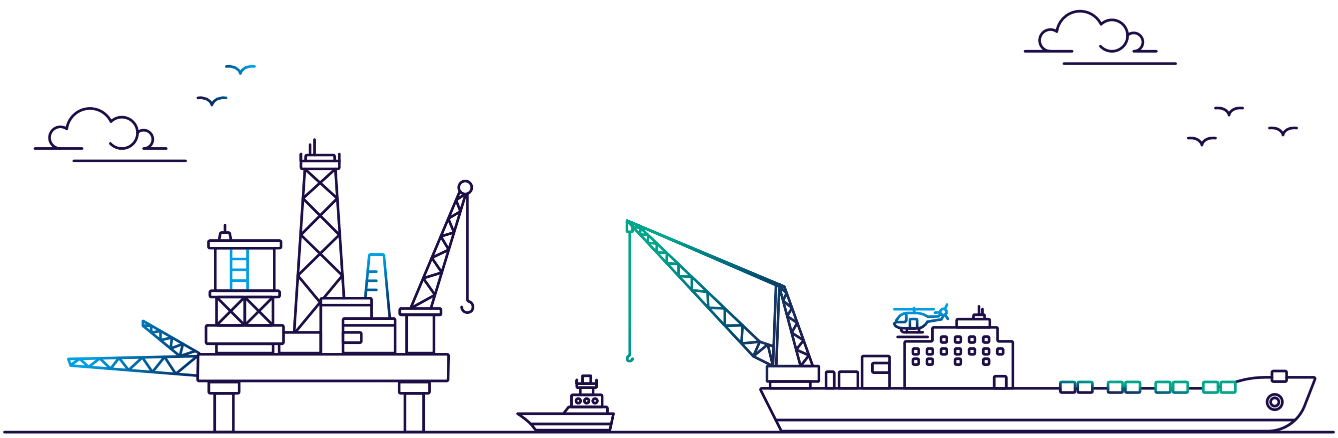
Q: Why is EnQuest building a decommissioning business?
A: We are already a proven operator of late-life assets. Decommissioning is the natural next phase in an asset's life-cycle for us to manage. Looking ahead, the business opportunity is vast and fast approaching. According to Offshore Energies UK, there is c.£16 billion of decommissioning work to be undertaken in the UK North Sea over the next decade and it will take more than £50 billion to decommission the whole UK North Sea basin. Internationally, the market will be even larger, creating an opportunity for a company with proven experience in the UK North Sea.

Q: What is EnQuest's decommissioning strategy?
A: Our vision is to build a world-class decommissioning capability that will add value to any portfolio of projects. Our strategy is to industrialise decommissioning as we move through the energy transition, where we deliver an efficient programme of work across assets driving down both cost and carbon emissions.
We want to be the partner of choice for decommissioning, managing end-of-field life production, working closely with former owners and partners to transition into safe, cost-efficient and low-carbon decommissioning.

Q: What are EnQuest's credentials?
A: Decommissioning is a key element of EnQuest's portfolio and a significant part of the natural cycle of a company that aims to manage sustainably and efficiently existing assets and natural resources. The Group operated for ten years before any of its assets ceased production, but now has a number of fields and two large platforms in the East Shetland basin where infrastructure needs to be decommissioned.

We already have a differential capability in drilling, and it is estimated that 40-50% of the UK North Sea's decommissioning costs relate to the plugging and abandonment ('P&A') of wells.

We continue to build our credibility by delivering on the two major projects, Heather and Thistle, which are currently in the execution phase with extensive well P&A programmes planned. We have demonstrated capability in removing our two floating production facilities which entered the decommissioning phase in 2020 and 2021. Both were delivered on schedule and under budget. EnQuest is creating a vision where we become the experts in delivering safe, low-cost, low-emission decommissioning.



Q: What approach does EnQuest take in decommissioning its assets?
A: At EnQuest we have three goals for our decommissioning projects: no harm to people or the environment; delivering at the lowest possible cost; and minimising associated carbon emissions. Our tactics focus on timing, scope and execution driven by a culture of continuous improvement.

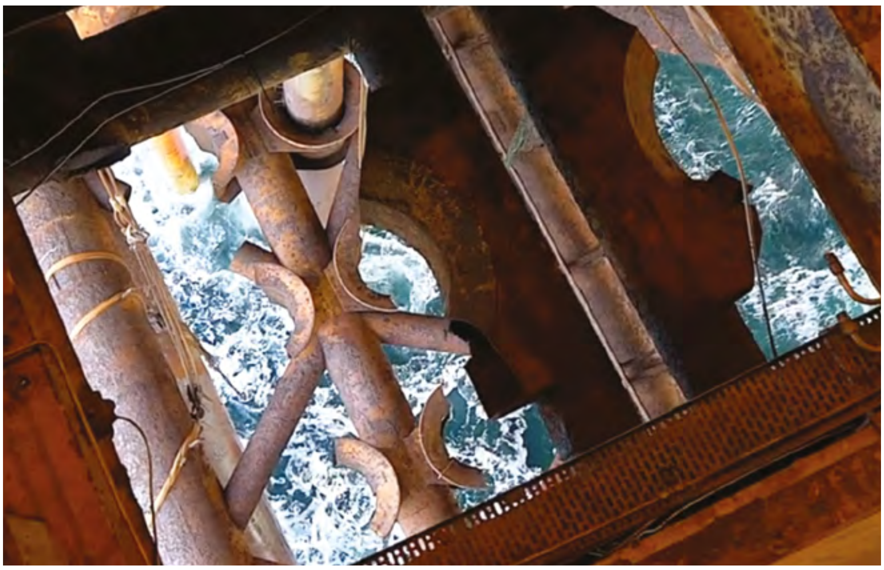
Timing is about planning the cessation of production ('CoP') and optimising the well P&A programme around a fixed CoP date. This minimises pre-CoP operating costs and post-CoP abandonment expenditures. Controlling scope means we challenge every activity. This is not normal production operations and hence requires a different mindset in terms of maintenance, integrity and preparation for removals. Finally, execution excellence requires our teams to work together, be aligned on delivering clear project goals, develop an understanding of where they can contribute to achieving these goals and be committed about delivery. This is supported by a continuous improvement culture. Decommissioning consists of various repetitive activities like multiple well abandonments. We learn from each well, identifying marginal gains with every operation and take those learnings from one asset to the next.

Q: How does decommissioning fit into the wider energy transition?
A: Decommissioning plays a significant part in the energy transition as the world seeks new sources of energy and safely removes the extensive existing hydrocarbon infrastructure. At EnQuest, we aim to minimise diesel usage and deliver the most efficient decommissioning work programmes. We also look for opportunities to recycle and reuse. Millions of tonnes of steel will be coming ashore as UK North Sea assets are decommissioned and we are working to find creative ways to recycle and repurpose in line with the principles of the circular economy.

Planned well abandonments

16

at each of Heather and Thistle



Infrastructure and New Energy

To support the ongoing transformation of SVT and EnQuest's energy transition ambitions, the Group established an Infrastructure and New Energy business division in August 2021. You can read more about this new business in the accompanying Q&A on this page.

2021 performance summary
At the Sullom Voe Terminal ('SVT') and its related infrastructure, the delivery of safe and reliable performance enabled 99.9% service availability during the year. The Group continued to work in close collaboration with its stakeholders to ensure the terminal meets existing and future customer needs, while remaining focused on simplification and cost management.

In pipelines, good progress was made undertaking planned repair and remediation work on delivery infrastructure relating to Kraken, Magnus and Thistle, in addition to in-line pipeline inspection evaluations at GKA. These activities will ensure continued smooth operations across the Group's assets.

2022 outlook
EnQuest remains focused on maintaining safe and reliable operations at the terminal and in its pipeline operations, with a significant asset integrity programme planned. Working closely with SVT co-owners and other stakeholders, EnQuest is developing cost-effective and efficient plans to prepare and repurpose the site in line with the Group's new energy ambitions. Engagement with a variety of stakeholders, including potential technical and financial partners, Shetland Island Council, Project ORION and the Net Zero Technology Centre is ongoing.

Q&A

Salman Malik
MD Corporate Development,
Infrastructure and New Energy

Q: What is EnQuest's Infrastructure and New Energy business?
A: EnQuest's Infrastructure and New Energy operations are uniquely positioned to deliver our new energy ambitions and help support the energy transition. The division was created to focus on three main areas:

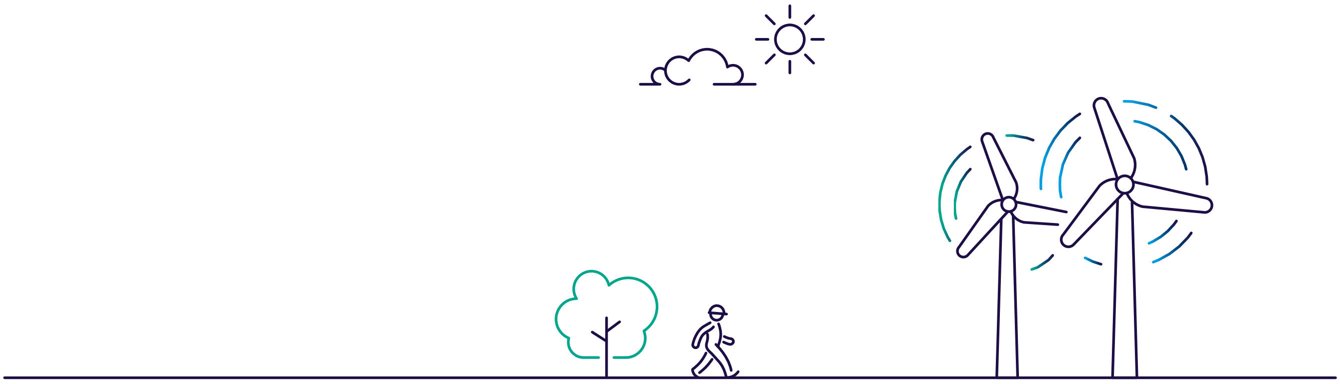
- Strengthening and extending the longevity of our existing operations at the SVT by maintaining safe and cost-efficient operations and securing new business;
- Delivering the Group's emission reduction objectives in line with Group and industry targets; and
- Leveraging our existing infrastructure at SVT to unlock renewable energy and decarbonisation opportunities through innovative commercial structures.

Q: Why build a New Energy business at SVT?
A: The Shetland Islands are among the windiest places in Europe. We believe we have a unique offering across the renewable energy landscape, adapting this strategically important site to realise the ambition of creating a renewable energy hub servicing not only Shetland but Scotland, the United Kingdom and Europe.

EnQuest has an opportunity to transform the existing site and its infrastructure into a new hub for renewable energy. An engaged and adaptable workforce with an appetite for working in new energy, the availability of deep-water jetties and a pipeline network, together with the desirability from both a practical and environmental perspective of reusing the existing industrial site, makes SVT, under EnQuest's stewardship, the right place to build a green energy hub.

Q: Why should EnQuest do this work?
A: EnQuest has operated the SVT since 2018. We are uniquely positioned to understand both the potential of the site and the complexity involved in transforming it into a renewable energy hub. Our team of highly skilled engineers and project managers, combined with our culture of providing creative solutions through the energy transition, means that EnQuest, working with the support of potential partners, can make this a reality.

We will apply our proven ability to create value through innovative structures, as well as our effective cost control and capital discipline to transform the site, while operational excellence will underpin everything we do.



Q: What are the renewable energy and decarbonisation opportunities at SVT?
A: EnQuest is now taking the first practical steps to progress new renewable energy and decarbonisation opportunities at SVT. These are multi-year projects that are at varied stages of maturity, and will take several years to progress. EnQuest is already planning the necessary project to replace our current power system at the site with a renewable energy alternative and is aiming to: develop other renewable energy opportunities, including the production of green hydrogen from wind energy and the electrification of offshore assets; while also assessing decarbonisation opportunities such as carbon capture and storage ('CCS') in depleted offshore oil and gas fields using the pipeline network it operates.

We are actively exploring CCS opportunities around SVT, with existing jetty facilities potentially enabling the import of CO_2 from emitters in the UK or Europe and pipeline links to several offshore reservoirs that could provide storage opportunities.

We will continue to work closely with our co-owners and other stakeholders at site to ensure the necessary work to prepare and repurpose this industrial location to accommodate New Energy infrastructure is done efficiently and cost effectively. EnQuest is engaged with a wide variety of potential partners, both technical and financial, to help us realise our goal of a sustainable energy hub for Shetland at SVT.

Emissions performance

Scope 1 and 2 emissions
$ktCO_2e$[1]

1,145
–15%
(2020: 1,343)

1 $ktCO_2e$: thousand tonnes of CO_2 equivalent

Oil and gas reserves and resources

ENQUEST OIL AND GAS RESERVES AND RESOURCES

	UKCS		Other regions		Total
	MMboe	MMboe	MMboe	MMboe	MMboe
Proven and probable reserves[1, 2, 3, 4]					
At 31 December 2020		166		22	189
Acquisitions and disposals[5]	19		–		19
Revisions of previous estimates	–		(1)		(1)
Transfers from contingent resources[6]	3		1		4
		22		(0)	22
Production:					
Export meter	(14)		(2)		(16)
Volume adjustments[7]	0		–		
		(14)		(2)	(16)
Total proven and probable reserves at 31 December 2021[8]		**174**		**20**	**194**
Contingent resources[1, 2, 9]					
At 31 December 2020		77		87	164
Acquisitions and disposals[10]		249		–	249
Revisions of previous estimates		(6)		(1)	(7)
Promoted to reserves[11]		(3)		(1)	(4)
Total contingent resources at 31 December 2021		**316**		**86**	**402**

Notes:
1 Reserves are quoted on a net entitlement basis, resources are quoted on a working interest basis
2 Proven and probable reserves and contingent resources have been assessed by the Group's internal reservoir engineers, utilising geological, geophysical, engineering and financial data
3 The Group's proven and probable reserves have been audited by a recognised Competent Person in accordance with the definitions set out under the 2018 Petroleum Resources Management System and supporting guidelines issued by the Society of Petroleum Engineers
4 All UKCS volumes are presented pre-SVT value adjustment
5 Acquisition of 26.69% non-operated interest in Golden Eagle
6 Transfers from 2C resources at Kraken, Magnus and PM8/Seligi
7 Correction of export to sales volumes
8 The above proven and probable reserves include volumes that will be consumed as fuel gas; including c.7 MMboe at Magnus, c.1 MMboe at Kraken and c.1 MMboe at Golden Eagle
9 Contingent resources relate to technically recoverable hydrocarbons for which commerciality has not yet been determined and are stated on a best technical case or '2C' basis
10 Acquisition of 40.81% interest in Bressay, 100.00% interest in Bentley and 26.69% non-operated interest in Golden Eagle
11 Kraken, Magnus and PM8/Seligi opportunity maturation
12 Rounding may apply

Hydrocarbon assets

ENQUEST'S ASSET BASE AS AT 31 DECEMBER 2021

Licence	Block(s)	Working interest (%)	Name	Decommissioning obligation (%)
UK North Sea Upstream production and development				
P193	211/7a & 211/12a	100.0[1]	Magnus	30.0[2]
P1077	9/2b	70.5	Kraken & Kraken North	70.5
P1107/P1617	21/8a, 21/12c & 21/13a	50.0	Scolty/Crathes	50.0
P238	21/18a, 21/19a & 21/19b	50.0	Kittiwake	25.0
		50.0	Mallard	30.9
		50.0	Grouse & Gadwall	50.0
		100.0	Eagle	n/a
P073	21/12a	50.0	Goosander	50.0
P213	16/26a	8.0	Alba	8.0
P234/P493/P920/P977	3/28a, 3/28b, 3/27b, 9/2a & 9/3a	40.8	Bressay	n/a[3]
P1078	9/3b	100.0	Bentley	n/a[3]
P300/P928[4]	14/26a & 20/1a	26.7	Golden Eagle	26.7
UK North Sea Decommissioning				
n/a	n/a	n/a	Heather	37.5
n/a	n/a	n/a	Broom	63.0
P475	211/19s	n/a	Thistle	6.1[5]
P236	211/18a	n/a	Thistle/Deveron	6.1[5]
P236	211/18c[6]	n/a	Don SW & Conrie	60.0
P236	211/18b[6]	n/a	West Don	78.6
n/a	n/a	n/a	Ythan	60.0
n/a	n/a	n/a	Alma/Galia	65.0
Other UK North Sea licences				
P090[4]	9/15a	33.3		n/a
P2531	21/18c	100.0		n/a
P2599	211/12b	100.0		n/a
Malaysia production and development				
PM8/Seligi[7]	PM8 Extension	50.0	Seligi, North & South Raya, Lawang, Langat, Yong & Serudon	see note 8 50.0
PM409 PSC	PM409	85.0	Kecubung, Tinggi Timur, Payung, NW Pinang, Tg. Pulai, Ophir	n/a

Notes:
1 BP is entitled to 37.5% of free cash flow from the assets subject to the terms of the transaction documents between BP and EnQuest
2 BP has retained the decommissioning liability in respect of the existing Magnus wells and infrastructure. EnQuest will pay BP additional deferred consideration by reference to 30% of BP's actual decommissioning costs on an after-tax basis, which EnQuest estimates will result in a payment equivalent to approximately 9% of the gross estimated decommissioning costs. The additional consideration payable is capped at the amount of cumulative positive cash flows received by EnQuest from Magnus, SVT and the associated infrastructure assets
3 Unsanctioned – no decommissioning liability currently realised
4 Non-operated
5 EnQuest is liable for the decommissioning costs associated with investment since it assumed operatorship, with the balance remaining with the former owners. Following the exercise of the Thistle decommissioning options in January and October 2018, EnQuest will undertake the management of the physical decommissioning of Thistle and Deveron and is liable to make payments to BP by reference to 7.5% of BP's decommissioning costs of Thistle and Deveron, which equates to 6.1% of the gross decommissioning costs
6 Licence areas relinquished on 13 January 2022
7 Official reference PM-8 Extension PSC, commonly referred to elsewhere as PM8/Seligi
8 EnQuest is liable for legacy (pre-2014) Seligi petroleum facilities decommissioning of 1.8% of the actual decommissioning cost during the PSC term. For newly installed petroleum facilities, EnQuest is liable in line with working interest. Decommissioning costs will be drawn down from the abandonment cess fund

Strong cash generation

All figures quoted are in US Dollars and relate to Business performance unless otherwise stated. Please note the below overview includes restated comparatives. See note 2 for further details.

The Group made good progress on its strategic aims during 2021. Supported by higher oil prices and capital discipline, EnQuest generated strong free cash flow of $396.8 million, up 88.5% compared to 2020, which, along with the signing of a new senior secured credit facility ('RBL'), enabled the Group to simplify its capital structure, facilitate the Golden Eagle acquisition and reduce overall net debt.

Production on a working interest basis decreased by 24.9% to 44,415 Boepd, compared to 59,116 Boepd in 2020. High uptime at Kraken, the contribution from Golden Eagle and the accelerated recovery of wells at PM8/Seligi was offset by underperformance at Magnus.

Revenue for 2021 was $1,320.3 million, 54.4% higher than in 2020 ($855.1 million) reflecting the materially higher realised prices partially offset by lower volumes. The Group's commodity hedge programme resulted in realised losses of $67.7 million in 2021 (2020: losses of $6.1 million). See note 27 for further information on the Group's hedging programmes.

The Group's operating expenditures of $321.0 million were marginally lower than 2020 ($328.6 million), although unit operating costs (excluding hedging) increased to $20.5/Boe (2020: $15.2/Boe) reflecting lower production.

Other costs of operations of $211.5 million were materially higher than in 2020 ($53.5 million), principally as a result of higher Magnus-related third-party gas purchases following the increase in associated market prices.

With the Group moving into an overlift position during the year, a charge relating to the Group's lifting position and inventory of $62.3 million was recognised (2020: credit of $34.8 million).

Adjusted EBITDA for 2021 was $742.9 million, up 34.9% compared to 2020 ($550.6 million), primarily as a result of higher revenue.

	2021 $ million	2020 $ million
Profit/(loss) from operations before tax and finance income/(costs)	**443.2**	(20.0)
Depletion and depreciation	**313.1**	445.9
Change in provisions	**(13.1)**	95.2
Change in well inventories	**0.1**	24.9
Net foreign exchange (gain)/loss	**(0.4)**	4.6
Adjusted EBITDA	**742.9**	550.6

EnQuest's net debt decreased by $57.7 million to $1,222.0 million at 31 December 2021 (31 December 2020: $1,279.7 million). This includes $225.0 million of payment in kind ('PIK') interest that has been capitalised to the principal of the facilities pursuant to the terms of the Group's November 2016 refinancing (31 December 2020: $205.8 million) (see note 18 for further details).

	Net debt/(cash)[1]	
	31 December 2021 $ million	31 December 2020 $ million
Bonds	**1,083.8**	1,048.3
Multi-currency revolving credit facility ('RCF')	**–**	377.3
Sculptor Capital facility	**–**	67.7
Senior secured debt facility ('RBL')	**415.0**	–
SVT working capital facility	**9.9**	9.2
Cash and cash equivalents	**(286.7)**	(222.8)
Net debt	**1,222.0**	1,279.7

Note:
1 See reconciliation of net debt within the 'Glossary – Non-GAAP measures' starting on page 170

In June, the Group announced that it had signed a new RBL of $600.0 million with an additional amount of $150.0 million for letters of credit for up to seven years, subject to the timing of the refinancing of the bonds. Also in June, the Group repaid the outstanding principal and interest on the Sculptor Capital facility from free cash flow.

Jonathan Swinney
Chief Financial Officer

In July 2021, $360.0 million was drawn down from the Group's new RBL facility. The proceeds were used to repay the entire outstanding balance on the RCF, which at the time of repayment was $354.5 million, including PIK and accrued interest. Also in July, $58.7 million, representing the full amount of the outstanding principal and interest on the Magnus vendor loan, was repaid and the Group successfully completed an equity raise with net proceeds of $47.2 million.

In October 2021 and following shareholder approval of the Golden Eagle acquisition, a further $125.0 million was drawn down against the RBL, partially to fund the $249.7 million cash consideration.

In December 2021, EnQuest made a voluntary early repayment of $70.0 million on the RBL, with further early voluntary repayments totalling $85.3 million made in the first quarter of 2022.

The Group continues to have unrestricted access to its UK North Sea corporate tax losses, subject only to generating suitable future profits, which at the end of the year decreased to $3,011.0 million (2020: $3,183.9 million). The Group paid cash corporate income tax following the acquisition of Golden Eagle by the Group and on the Malaysian assets, which will continue throughout the life of the Production Sharing Contract. In the current environment, no significant corporation tax or supplementary charge is expected to be paid on UK operational activities for the foreseeable future.

> "The Group made good progress on its strategic aims during the year, generating material free cash flow, acquiring the Golden Eagle asset and reducing net debt."
>
> **Jonathan Swinney**
> Chief Financial Officer

Income statement

Revenue

On average, market prices for crude oil in 2021 were significantly higher than in 2020. The Group's average realised oil price excluding the impact of hedging was $73.0/bbl, 75.5% higher than in 2020 ($41.6/bbl). Revenue is predominantly derived from crude oil sales, which totalled $1,139.2 million, 46.1% higher than in 2020 ($779.9 million), reflecting the significantly higher oil prices, offset by lower production. Revenue from the sale of condensate and gas, primarily in relation to the onward sale of third-party gas purchases not required for injection activities at Magnus, was $244.1 million (2020: $60.5 million), as a result of the significantly higher gas prices. Tariffs and other income generated $4.7 million (2020: $20.8 million). The Group's commodity hedges and other oil derivatives contributed $67.7 million of realised losses (2020: losses of $6.1 million). The Group's average realised oil price including the impact of hedging was $68.6/bbl in 2021, 66.4% higher than 2020 ($41.3/bbl).

Note: For the reconciliation of realised oil prices see 'Glossary – Non-GAAP measures' starting on page 170

Cost of sales[1]

	2021 $ million	2020 $ million
Production costs	**292.3**	265.5
Tariff and transportation expenses	**39.4**	63.7
Realised (gain)/loss on derivatives related to operating costs	**(10.7)**	(0.6)
Operating costs	**321.0**	328.6
(Credit)/charge relating to the Group's lifting position and inventory	**62.3**	(34.8)
Depletion of oil and gas assets	**305.6**	438.2
Other cost of operations	**211.5**	53.5
Cost of sales	**900.4**	785.5
Unit operating cost[2]	**$/Boe**	$/Boe
– Production costs	**18.1**	12.3
– Tariff and transportation expenses	**2.4**	2.9
Average unit operating cost	**20.5**	15.2

Notes:
1 See reconciliation of alternative performance measures within the 'Glossary – Non-GAAP measures' starting on page 170
2 Calculated on a working interest basis

Financial review continued

Cost of sales were $900.4 million for the year ended 31 December 2021, 14.6% higher than in 2020 ($785.5 million).

Operating costs decreased by $7.6 million, primarily reflecting reduced tariff and transportation costs due to lower production in 2021. This was largely offset by higher production costs driven by materially higher emission allowances costs, lower lease charter credits reflecting higher uptime at Kraken as a result of the continued strong performance of the FPSO, and remediation costs at Magnus. Unit operating costs (excluding hedging) increased by 34.9% to $20.5/Boe (2020: $15.2/Boe), reflecting lower production. Unit operating costs including hedging were $19.8/Boe (2020: $15.2/Boe).

The charge relating to the Group's lifting position and inventory was $62.3 million (2020: credit of $34.8 million). This reflects a switch to an $18.0 million net overlift position at 31 December 2021 from a $3.0 million net underlift position at 31 December 2020. The charge for the year is also impacted by the post-acquisition revaluation of the underlift position at Golden Eagle. Depletion expense of $305.6 million was 30.3% lower than in 2020 ($438.2 million), mainly reflecting lower production.

Other cost of operations of $211.5 million were materially higher than in 2020 ($53.5 million), principally as a result of higher Magnus-related third-party gas purchase cost following the increase in associated market prices, offset by a partial release of the inventory provision.

Other income and expenses

Net other income of $23.7 million (2020: net other expense of $85.3 million) is primarily due to a net decrease of $13.1 million related to the decommissioning provision of the fully impaired non-producing assets.

Finance costs

Finance costs of $169.5 million were 5.7% lower than in 2020 ($179.8 million). This decrease was primarily due to a reduction of $12.6 million in interest charges associated with the Group's loans (2021: $20.2 million; 2020: $32.8 million) and a $4.4 million decrease in bond interest (2021: $69.1 million; 2020: $73.5 million). Other finance costs included lease liability interest of $45.4 million (2020: $50.9 million), $16.9 million on unwinding of discount on decommissioning and other provisions (2020: $15.3 million), $13.6 million amortisation of arrangement fees for financing facilities and bonds, reflecting the accelerated amortisation of the Sculptor Capital facility fees and the fees associated with the Group's RBL facility (2020: $5.4 million) and other financial expenses of $4.3 million (2020: $2.0 million), primarily being the cost for surety bonds to provide security for decommissioning liabilities.

Taxation

The tax charge for 2021 of $53.7 million (2020: $172.5 million tax credit), excluding remeasurements and exceptional items, is mainly due to the taxable profits generated in the year exceeding the Ring Fence Expenditure Supplement ('RFES') on UK activities generated in the year.

Remeasurements and exceptional items

Remeasurements and exceptional items resulting in a post-tax net gain of $156.7 million have been disclosed separately for the year ended 31 December 2021 (2020: loss of $443.8 million).

Revenue included unrealised losses of $54.5 million in respect of the mark-to-market movement on the Group's commodity contracts (2020: unrealised gains of $8.8 million). Cost of sales included expenses of $7.3 million in relation to a provision for a contract dispute with a third-party contractor.

Non-cash net impairment reversal of $39.7 million (2020: $422.5 million charge) on the Group's oil and gas assets arises from an increase in the near and medium-term oil price and updated asset profiles.

Other income included a $140.1 million gain in relation to the fair value recalculation of the Magnus contingent consideration reflecting a forecast reduction in Magnus future cash flows (2020: $138.2 million gain). Other finance costs mainly relate to the unwinding of contingent consideration from the acquisition of Magnus and associated infrastructure and interest charged on the vendor loan of $58.4 million (2020: $77.3 million).

A net tax credit of $78.2 million (2020: charge of $76.4 million) has been presented as exceptional, representing the non-cash recognition of undiscounted deferred tax assets of $104.5 million given the Group's acquisition of Golden Eagle and the Group's higher oil price assumptions, partially offset by the tax impact of the remeasurements and exceptional items. EnQuest continues to have unrestricted access to its UK North Sea corporate tax losses of $3,011.0 million at 31 December 2021, subject only to generating suitable future profits.

IFRS results

The Group's results on an IFRS basis are shown on the Group income statement as 'Reported in the year', being the sum of its Business performance results and Remeasurements and exceptional items, both of which are explained above.

IFRS revenue reflects Business performance revenue, but it is adjusted for the impact of unrealised movements on derivative commodity contracts. Business performance cost of sales is similarly adjusted for the impact of unrealised movements on derivative contracts, together with various exceptional provisions as noted previously. Taking account of these items, and the other exceptional items included within the Group income statement which are principally related to impairment charges and the change in fair value of contingent consideration payable, the Group's IFRS profit from operations before tax and finance costs was $580.0 million (2020: loss of $310.1 million), IFRS profit before tax was $352.4 million (2020: loss of $566.0 million), and IFRS profit after tax of $377.0 million (2020: loss of $469.9 million).

Earnings per share

The Group's Business performance basic earnings per share was 12.7 cents (2020 loss per share: 1.6 cents) and diluted earnings per share was 12.5 cents (2020 loss per share: 1.6 cents).

The Group's reported basic earnings per share was 21.7 cents (2020 loss per share: 29.0 cents) and reported diluted earnings per share was 21.4 cents (2020 loss per share: 29.0 cents).

Cash flow and liquidity

Net debt at 31 December 2021 amounted to $1,222.0 million, including PIK of $225.0 million, compared with net debt of $1,279.7 million at 31 December 2020, including PIK of $205.8 million. The movement in net debt was as follows:

	$ million
Net debt 1 January 2021	**(1,279.7)**
Net cash flows from operating activities	674.1
Cash capital expenditure	(51.8)
Acquisition costs	(258.6)
Repayments on Magnus financing and profit share	(74.7)
Finance lease payments	(136.7)
Net interest and finance costs paid	(62.8)
Non-cash capitalisation of interest	(36.4)
Fees related to the RBL facility	(29.1)
Net equity raise proceeds	47.2
Other movements	(13.5)
Net debt 31 December 2021[1]	**(1,222.0)**

Note:
1 See reconciliation of alternative performance measures within the 'Glossary – Non-GAAP measures' starting on page 170

The Group's reported net cash flows from operating activities for the year ended 31 December 2021 were $674.1 million, up 29.3% compared to 2020 ($521.4 million). The main drivers for this increase were materially higher oil revenue offset by lower production and increased decommissioning spend.

Cash outflow on capital expenditure is set out in the table below:

	Year ended 31 December 2021 $ million	Year ended 31 December 2020 $ million
North Sea	**35.9**	127.0
Malaysia	**14.8**	4.4
Exploration and evaluation	**1.1**	–
	51.8	131.4

Cash capital expenditure in 2021 primarily related to Magnus production enhancement campaigns and the PM8/Seligi pipeline replacement.

Balance sheet

The Group's total asset value has increased by $503.0 million to $4,365.6 million at 31 December 2021 (2020: $3,862.6 million), mainly due to the acquisition of Golden Eagle and an increase in trade and other receivables. Net current liabilities have decreased to $333.1 million as at 31 December 2021 (2020: $536.9 million). Included in the Group's net current liabilities are $30.5 million of estimated future obligations where settlement is subject to the financial performance of Magnus (2020: $73.9 million).

Property, plant and equipment ('PP&E')

PP&E has increased by $188.1 million to $2,822.0 million at 31 December 2021 from $2,633.9 million at 31 December 2020 (see note 10). This increase encompasses the Golden Eagle asset acquisition of $386.2 million, other capital additions to PP&E of $80.7 million, and non-cash net impairment reversals of $39.7 million, offset by depletion and depreciation charges of $313.0 million and a net decrease of $2.7 million for changes in estimates for decommissioning and other provisions.

The PP&E capital additions during the year, including capitalised interest, are set out in the table below:

	$ million
North Sea	**449.5**
Malaysia	**17.4**
	466.9

Trade and other receivables

Trade and other receivables increased by $177.4 million to $296.1 million at 31 December 2021 (2020: $118.7 million). The increase is mainly attributable to the timing of receipts for cargoes lifted in December and the impact of gas prices on accrued gas sales.

Cash and net debt

The Group had $286.7 million of cash and cash equivalents at 31 December 2021 and $1,222.0 million of net debt, including PIK of $225.0 million (2020: $222.8 million, $1,279.7 million and $214.2 million, respectively).

Net debt comprises the following liabilities:

- $256.2 million principal outstanding on the £155.0 million retail bond, including interest capitalised as PIK of $47.9 million (2020: $249.2 million and $39.4 million, respectively);
- $827.2 million principal outstanding on the high yield bond, including interest capitalised as PIK of $177.2 million (2020: $799.2 million and $149.2 million, respectively);
- $415.0 million drawn down on the RBL (2020: $377.3 million of the RCF, comprising amounts drawn down of $360.0 million and interest capitalised as PIK of $17.3 million); and
- $9.9 million relating to the SVT working capital facility (2020: $9.2 million).

Provisions

The Group's decommissioning provision increased by $57.5 million to $835.7 million at 31 December 2021 (2020: $778.2 million). The movement is due to $119.3 million of additions relating to the Golden Eagle acquisition and $15.9 million unwinding of discount, partially offset by utilisation of $55.6 million for decommissioning carried out in the year and a reduction in estimates of $22.1 million.

Other provisions, including the Thistle decommissioning provision, decreased by $3.0 million in 2021 to $59.2 million (2020: $62.2 million). The Thistle decommissioning provision of $43.9 million (2020: $53.1 million) is in relation to EnQuest's obligation to make payments to BP by reference to 7.5% of BP's decommissioning costs of the Thistle and Deveron fields.

Contingent consideration

The contingent consideration related to the Magnus acquisition decreased by $156.7 million. In 2021, EnQuest paid $75.0 million to BP (2020: $74.0 million), which included the early repayment of the entire $74.7 million outstanding balance (including interest) of the 75% interest vendor loan. A change in fair value estimate credit of $140.1 million (2020: $138.2 million) and finance costs of $58.4 million (2020: $77.3 million) were recognised in the year.

The Group recognised $44.7 million contingent consideration payable associated with the acquisition of Golden Eagle which completed in October 2021. The balance increased to $45.2 million at 31 December 2021.

Income tax

The Group had a net income tax payable of $3.6 million (2020: $5.6 million receivable) related to the net of corporate income tax on Malaysian assets and North Sea Research and Development Expenditure Credits.

Deferred tax

The Group's net deferred tax asset has increased from $653.4 million at 31 December 2020 to $699.6 million at 31 December 2021. This is driven by non-cash recognition of undiscounted deferred tax assets due to increased future taxable profits following the acquisition of Golden Eagle. EnQuest continues to have unrestricted access to its UK corporate tax losses carried forward at 31 December 2021 amounting to $3,011.0 million (31 December 2020: $3,189.9 million), subject only to generating suitable future profits. During the year the Group restated the 2020 deferred tax asset position, see note 2 for further details.

Trade and other payables

Trade and other payables of $420.5 million at 31 December 2021 are $165.4 million higher than at 31 December 2020 ($255.2 million). The full balance of $420.5 million is payable within one year. This increase is driven by the increase in the Group's overlift position and the impact of higher market prices on UK emission allowances and Magnus-related gas purchases.

Financial risk management

The Group's activities expose it to various financial risks, particularly associated with fluctuations in oil price, foreign currency risk, liquidity risk and credit risk. The disclosures in relation to financial risk management objectives and policies, including the policy for hedging, and the disclosures in relation to exposure to oil price, foreign currency and credit and liquidity risk, are included in note 27 of the financial statements.

Going concern disclosure

The Group closely monitors and manages its funding position and liquidity risk throughout the year, including monitoring forecast covenant results, to ensure that it has access to sufficient funds to meet forecast cash requirements. Cash forecasts are regularly produced and sensitivities considered for, but not limited to, changes in crude oil prices (adjusted for hedging undertaken by the Group), production rates and costs. These forecasts and sensitivity analyses allow management to mitigate liquidity or covenant compliance risks in a timely manner.

The health, safety and wellbeing of the Group's employees is its top priority and it continues to monitor actively the impact on operations from COVID-19. The Group remains compliant with UK, Malaysia and Dubai government and industry policy. The Group has also been working with a variety of stakeholders, including industry and medical organisations, to ensure its operational response and advice to its workforce is appropriate and commensurate with the prevailing expert advice and level of risk. The Group is cognisant of the ongoing risks presented by the evolving situation. At the time of publication of EnQuest's full-year results, the Group's day-to-day operations continue without being materially affected by COVID-19.

During 2021, the Group signed a new senior secured borrowing base debt facility (the 'RBL') of $600.0 million and an additional amount of $150.0 million for letters of credit for up to seven years, subject to refinancing the Group's existing high yield bonds. The RBL is initially repaid based on an amortisation schedule and via a cash sweep mechanism, whereby any unrestricted cash in excess of $75.0 million is swept to repay outstanding amounts at calendar quarter ends. Application of the amortisation schedule ensures the RBL is fully repaid by June 2023.

Upon refinancing of the Group's High Yield Bond, the maturity of the RBL is extended to seven years from its signing date (11 June 2021), or the point at which the remaining economic reserves for all borrowing base assets are projected to fall below 25% of the initial economic reserves forecast, if earlier.

At 31 December 2021, $415.0 million was drawn on the RBL, with early voluntary repayments of $85.0 million made in the first quarter of 2022.

The Group continues to explore options to refinance its Retail and High Yield Bonds ahead of maturity in October 2023. For the purposes of assessing going concern it is assumed that the refinancing of the bonds occurs outside of the going concern period. However, in the scenario that the Group concluded a successful refinancing of the bonds within the next 12 months, then the going concern basis at the date of release of this Annual Report would also be considered appropriate.

The Group's latest approved business plan underpins management's base case ('Base Case') and is in line with the Group's production guidance and uses oil price assumptions of $75.0/bbl for 2022 and $70.0/bbl for 2023, adjusted for hedging activity undertaken.

The Base Case has been subjected to stress testing by considering the impact of the following plausible downside risks (the 'Downside Case'):

- 10.0% discount to Base Case prices resulting in Downside Case prices of $67.5/bbl for 2022 and $63.0/bbl for 2023;
- Production risking of c.5% for 2022 and 2023; and
- 2.5% increase in operating costs.

The Base Case and Downside Case indicate that the Group is able to operate as a going concern and remain covenant compliant for 12 months from the date of publication of its full-year results. The Directors have also performed reverse stress testing on the Base Case, with the liquidity breakeven price in the going concern period being less than $60.0/bbl in order to maintain a minimum unrestricted cash balance of above $50.0 million across all periods (as required by the RBL).

Should circumstances arise that differ from the Group's projections, the Directors believe that a number of mitigating actions, including asset sales or other funding options, can be executed successfully in the necessary timeframe to meet debt repayment obligations as they become due and in order to maintain liquidity.

After making appropriate enquiries and assessing the progress against the forecast, projections and the status of the mitigating actions referred to above, the Directors have a reasonable expectation that the Group will continue in operation and meet its commitments as they fall due over the going concern period. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

Viability statement

The Directors have assessed the viability of the Group over a three-year period to March 2025. The viability assumptions are consistent with the going concern assessment, with the additional inclusion of an oil price of $70.0/bbl for the remainder of 2023 and 2024, a longer-term price of $60.0/bbl from 2025 and refinancing of both the High Yield and Retail Bonds in the second quarter of 2023. This assessment has taken into account the Group's financial position as at March 2022, its future projections and the Group's principal risks and uncertainties. The Directors' approach to risk management, their assessment of the Group's principal risks and uncertainties, which includes potential impacts from climate change concerns and related regulatory developments, and the actions management are taking to mitigate these risks are outlined on pages 42 to 53. The period of three years is deemed appropriate as it is the time horizon across which management constructs a detailed plan against which Business performance is measured and includes the maturation of both its High Yield and Retail bonds. Based on the Group's projections, including refinancing of both the High Yield and Retail bonds, the Directors have a reasonable expectation that the Group can continue in operation and meet its liabilities as they fall due over the period to March 2025.

The Base Case has further been stress tested to understand the impact on the Group's liquidity and financial position of reasonably possible changes in these risks and/or assumptions.

For the current assessment, the Directors also draw attention to the specific principal risks and uncertainties (and mitigants) identified below, which, individually or collectively, could have a material impact on the Group's viability during the period of review. In forming this view, it is recognised that such future assessments are subject to a level of uncertainty that increases with time and, therefore, future outcomes cannot be guaranteed or predicted with certainty. The impact of these risks and uncertainties has been reviewed on both an individual and combined basis by the Directors, while considering the effectiveness and achievability of potential mitigating actions.

Oil price volatility

A decline in oil prices would adversely affect the Group's operations and financial condition. To mitigate oil price volatility, the Directors have hedged a total of 8.6 MMbbls for 2022 primarily using costless collars, with an average floor price of c.$63.0/bbl and an average ceiling price of c.$77.9/bbl. For 2023, the Group has hedged a total of 3.5 MMbbls with an average floor price of c.$57.5/bbl and an average ceiling of c.$77.1/bbl. The Directors, in line with Group policy and the terms of its RBL facility, will continue to pursue hedging at the appropriate time and price.

Access to funding

Prolonged low oil prices, cost increases and production delays or outages could threaten the Group's liquidity and/or ability to refinance the bonds.

The maturity date of the existing $827 million High Yield Bond and the £190 million Retail Bonds (both figures at year end 2021) is October 2023. The application of the current amortisation schedule on the RBL ensures this is fully repaid by June 2023. In assessing viability, the Directors recognise that refinancing would be required at or before the maturity date of the bonds and believe this would be achievable subject to market conditions at that time. Under the Base Case oil price assumptions outlined above, the total amount of the High Yield Bond and Retail Bonds outstanding at October 2023 would be unchanged from year end 2021, as interest is payable in cash if the average of the Daily Brent Oil Prices during the period of six calendar months immediately preceding the 'Cash Payment Condition Determination Date' is equal to or above $65.0/bbl. If oil prices were to be lower than the Group's assumptions, then a refinancing may require asset sales or other financing or funding options.

Notwithstanding the principal risks and uncertainties described above, after making enquiries and assessing the progress against the forecast, projections and the status of the mitigating actions referred to above, the Directors have a reasonable expectation that the Group can continue in operation and meet its commitments as they fall due over the viability period ending March 2025. Accordingly, the Directors therefore support this viability statement.

Jonathan Swinney
Chief Financial Officer

Environmental,
Social and Governance

An accountable and responsible approach

Environmental, Social and Governance ('ESG') factors continue to grow in importance for companies, reflecting the focus on company purpose, widespread concerns about climate change, the importance of stakeholder considerations and the emphasis on long-term value enhancement. The identification, measurement and management of relevant ESG factors enables companies to demonstrate they are operating in a responsible and sustainable manner. EnQuest has reviewed the extensive ESG landscape and identified those factors which are relevant and applicable to its purpose and business model, ensuring its approach is clear, appropriate and easily understood by its stakeholders.

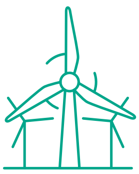
As a responsible oil and gas company, EnQuest recognises the need for a social licence to operate. Since its inception, EnQuest has prioritised SAFE Results, with no harm to people and respect for the environment. This respect for the environment includes climate change and emissions reductions, which are clear areas of focus for the Group. EnQuest also recognises the importance of a diverse and inclusive culture in driving Group performance.

> "EnQuest is an oil and gas company, focused on safely improving the operating, financial and environmental performance of assets for the benefit of its stakeholders."

As such, the Group's core ESG areas of focus are: health and safety, including asset integrity; the pursuit of emission reduction opportunities in order to contribute positively towards the achievement of national emissions targets; looking after our people and positively impacting the communities in which we operate; and upholding our robust risk management framework while acting with the highest standards of integrity in all that we do. Performance against specific ESG factors is also included in Executive Director and applicable employee short-term and long-term reward schemes, with various Board Committees having responsibility for monitoring the Group's progress against these objectives (see pages 65 to 66 for more information).

ENQUEST'S ESG FOCUS AREAS

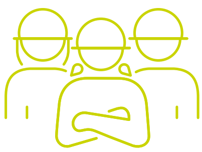
Environmental



- Committed to contributing positively towards the drive to net-zero
- Focused on absolute Scope 1 and 2 emission reductions in existing and acquired assets; three-year Group target linked to reward
- Incorporates carbon costs into investment evaluations

Read more
See pages 34 to 35

Social



- SAFE Results with no harm to our people and respect for the environment remains a key priority
- Recognises our people are critical to EnQuest's success
- Committed to operating with a strong culture and Values, in line with the Group's purpose
- Committed to improving workforce diversity and inclusion
- Aim to impact positively the communities in which we operate

Read more
See pages 36 to 41

Governance

- Committed to operating with high standards of integrity in line with the Group's Code of Conduct
- Apply the Group's established risk management framework and operate within the Board-approved statement of risk appetite
- Reward is linked to ESG performance

Read more
See pages 42 to 57


Aerial view of the Sullom Voe Terminal

Thistle Decommissioning team member makes maintenance checks

Group non-financial information statement

The following information is prepared in accordance with Section 414CB(1) of the Companies Act 2006. Further information on each of the areas set out below, including the Group's policies where relevant, can be found in the following pages of this section of the report. The Group's key performance indicators can be found on page 03.

Environment (see pages 34 to 35, and 55 to 57)

- EnQuest's priority is delivering SAFE Results, with no harm to our people and respect for the environment
- Our Environmental Management System ensures our activities are conducted in such a way that we manage and mitigate our impact on the environment, which includes permitted hydrocarbon releases and discharges. Non-compliant releases and discharges from the Group's operations carry adverse reputational, financial and other consequences
- EnQuest recognises that industry, alongside other key stakeholders such as governments, regulators and consumers, must contribute to reducing the impact on climate change of carbon-related emissions. The Group focuses on absolute Scope 1 and 2 emission reductions. At present, EnQuest does not record Scope 3 emissions given the complexity and scope of EnQuest's value chain
- EnQuest has reported on all of the emission sources within its operational control required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013
- The Group continues to evolve its disclosures in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures

Our people (see pages 40 to 41)

- We are committed to ensuring that EnQuest is a great place to work
- Employee engagement and wellbeing were key focus areas throughout 2021 as the Group adjusted its ways of working in response to the ongoing COVID-19 pandemic, continuing to inform and support colleagues working in offshore and onshore environments. The Group has adopted a flexible working approach onshore to promote strong productivity and business performance facilitated by an engaged workforce
- EnQuest remains committed to improving workforce diversity and inclusion ('D&I'), with the D&I strategy embedded in the overall strategy of the business. Diversity-related targets have been set in relation to women and ethnic minorities achieving senior management and executive leadership roles by 2025. In addition, EnQuest was short-listed as a finalist for the OEUK's Diversity & Inclusion Awards for the commitment it has shown in this important area

Community (see page 39)

- EnQuest is fully committed to active community engagement programmes and encourages and supports charitable donations in the areas of improving health, education and welfare within the communities in which it works
- Throughout 2021, the Group continued to provide support to a wide range of local organisations and communities in the UK
- Despite the pandemic-related restrictions in Malaysia, our teams were able to support an active programme of local community initiatives and charities alongside ongoing sponsorship programmes for internships and university students
- In addition, EnQuest has continued to partner with the Institute of Chemical Engineers to offer accreditation of the Universiti Kebangsaan Malaysia Chemical and Process Engineering Programme

Business conduct (see page 54)

- The Group has a Code of Conduct that sets out the behaviour which the organisation expects of its Directors, managers and employees, and of our suppliers, contractors, agents and partners
- This code addresses the Group's requirements in a number of areas, including the importance of health and safety and environmental protection, compliance with applicable law, anti-corruption, anti-facilitation of tax evasion, anti-slavery, addressing conflicts of interest, ensuring equal opportunities, combatting bullying and harassment and the protection of privacy

Environmental

Managing emissions from existing operations and advancing new energy opportunities.

A responsible operator with a strong culture and management framework
At the core of EnQuest's Values is SAFE Results with no harm to people and respect for the environment. As an oil and gas company, safely improving the operating, financial and environmental performance of mature and late-life assets remains a key focus. EnQuest recognises the importance of good governance and transparency in relation to climate change and, the Group's reporting against the Task Force on Climate-related Financial Disclosure recommendations can be found on pages 55 to 57. In addition, the Group outlines its assessment of associated potential risks to the execution of its strategy within the risks and uncertainties section of this report (see page 45).

EnQuest's Environmental Management System ('EMS') ensures the Group's activities are undertaken in such a way that it manages and mitigates its impact on the environment. The EMS meets the requirements of the OSPAR recommendation 2003/5, is aligned with the requirements of the International Organisation for Standardisation's environmental management system standard – ISO 14001 – and is independently verified every two years. In the UK, the Group publishes its annual Environmental Statement in line with the regulatory requirement under the OSPAR recommendation 2003/5 (see the Environmental, Social and Governance section on the Group's website, www.enquest.com). These statements are an open and transparent representation of EnQuest's environmental performance across all its UK offshore operations. In Malaysia, environmental management and reporting is undertaken through PETRONAS Malaysia Petroleum Management ('MPM') and addressed as part of the EnQuest Malaysia Management System and in line with ISO 14001.

The Group has been a member of Oil Spill Response Limited and the Petroleum Industry of Malaysia Mutual Aid Group for several years and remains a supporter of Shetland Oil Terminal Environmental Advisory Group.

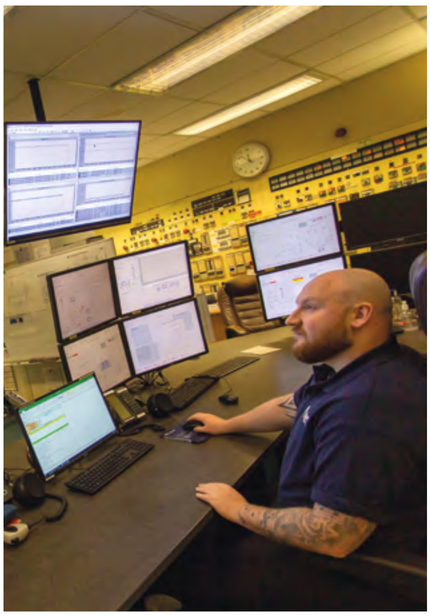
"The Infrastructure and New Energy business is responsible for delivering the Group's emission reduction objectives through optimising performance of existing assets and advancing renewable energy and decarbonisation opportunities."

Salman Malik
Managing Director,
Infrastructure and New Energy

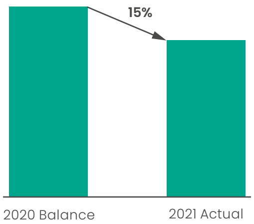
Lowering CO_2e emissions through the energy transition
EnQuest recognises that industry, alongside other key stakeholders such as governments, regulators and consumers, must contribute to reducing the impact on climate change of carbon-related emissions. The Group is committed to playing its part in the achievement of national emissions reduction targets and the drive to 'net-zero', with the Infrastructure and New Energy business having overall responsibility for delivering the Group's emission reduction objectives.

EnQuest believes a measured approach to absolute Scope 1 and 2 emissions reductions, which involves credible targets and the pursuit of economic emission reduction opportunities, is appropriate for its existing operated asset base. At present, EnQuest does not record Scope 3 emissions given the complexity and scope of EnQuest's value chain. For the longer term, the Infrastructure and New Energy business is advancing renewable energy and decarbonisation opportunities (see page 22 for more information).

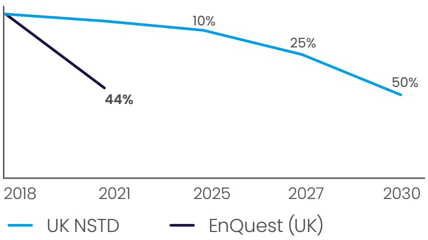
A clear target for the existing portfolio linked to reward
In 2021, the Group set a target of reducing its absolute Scope 1 and 2 CO_2 equivalent emissions by 10% by 2023. This target is a key performance metric in the Group's 2021 long-term incentive scheme for Executive Directors and applicable



Excellent emissions reduction performance
Group emissions reduction



UK NSTD emission reduction targets



Reduction in Group Scope 1 and 2 emissions

15%

vs 2020 baseline

Reduction in UK Scope 1 and 2 emissions

44%

vs 2018 NSTD baseline

1 $kgCO_2e/bbl$ = kilograms of CO_2 equivalent per produced barrel
2 Based on the University of Calgary PRELIM model recognised by California Air Resources Board, US Energy Tech. Laboratory, US DOE Office of Energy Efficiency and Renewable Energy, Carnegie Endowment for International Peace and the US Environmental Protection Agency

employees and is linked to appropriate targets within the Group's short-term incentive plan. Improving the Group's environmental performance is an ongoing process and, as such, workforce engagement and development of technological improvements will continue to ensure economically viable emissions reduction initiatives across the Group are identified and implemented.

Significant reductions achieved
The Group has made good progress in reducing its absolute Scope 1 and 2 emissions during the year, with CO_2 equivalent emissions reduced by 14.7%, reflecting operational improvements and increased workforce awareness primarily driving lower flaring and diesel usage. Since 2018, UK emissions have reduced by 43.5%, driven by the decisions to cease production at a number of the Group's assets and the reductions achieved in 2021, which is significantly ahead of the UK Government's North Sea Transition Deal target of achieving a 10% reduction in Scope 1 and 2 CO_2 equivalent emissions by 2025.

In addition to reducing upstream-related emissions, the Group has continued to optimise sales of Kraken cargoes directly to the shipping fuel market, thereby avoiding the significant emissions related to refining – estimated to be c.32–36$kgCO_2e/bbl$[1,2] for a typical North Sea crude and helping to reduce sulphur emissions in accordance with the International Maritime Organisation ('IMO') 2020 regulations.

Looking to the future
As majors and other operators continue to shift their focus from mature basins within various geographies, it is expected there will be further opportunities for the Group to access additional oil and gas resources. However, time and careful consideration will be taken to find the right opportunities where EnQuest can deliver incremental emission reductions relative to the carbon footprint in the hands of the seller. The Group also factors in an appropriate associated carbon price into the acquisition economics, even in markets where no carbon trading or pricing mechanism exists. The Group can make a positive contribution towards the future of North Sea oil and gas through doing its part in ensuring that each asset is in the right hands. In Malaysia, the Group continues to limit voluntarily emissions below the regulatory limit.

Emissions management is an important feature during the decommissioning phase of an asset's life-cycle. During this phase, wells will need to be plugged and abandoned, while the production and processing facilities and any relevant infrastructure will need to be removed. Given the extent of this work, it will take place over an extended period and require careful project management. EnQuest's UK Decommissioning directorate will oversee the safe and efficient execution of these work programmes and is committed to delivering them in a responsible manner. This includes minimising emissions and maximising the recycle and reuse of recovered materials. The UK Decommissioning directorate continues to work with a variety of stakeholders to identify creative ways, such as alternative power generation options, in which emissions associated with decommissioning activities can be kept to a minimum.

EnQuest's Infrastructure and New Energy business is assessing renewable energy and decarbonisation opportunities that would leverage the Group's existing infrastructure at the SVT. The Group is working with the Shetland Islands Council, Project ORION, the Net Zero Technology Centre ('NZTC') and other stakeholders on initiatives focused on carbon capture and storage, renewable electricity and hydrogen.

EnQuest continues to engage with entities such as Offshore Energies UK, the NZTC and the North Sea Transition Authority, to better understand how it can contribute further to the industry approach to achieving net-zero, whilst remaining aligned with EnQuest's strategy and Values.

Atmospheric emissions
The Group seeks to use energy efficiently within its facilities for extracting, processing and exporting oil and gas, continually looking to identify opportunities that may reduce emissions from its operations.

> "Managing existing assets in a responsible and sustainable manner is a key part of the energy transition."

Salman Malik
Managing Director, Infrastructure and New Energy

Environmental, Social and Governance continued

Social

Our culture defines how we approach safety and ensures that our people, our most important asset, go home safe and well.

Health and safety

Underpinning the Group's licence to operate is its health and safety performance. As such, the Group's priority is to deliver SAFE Results without compromising its standards to meet other business objectives. To achieve this, the business is managed in accordance with the Group-wide Health, Safety, Environment and Assurance ('HSEA') policy, the key components of which can be found on the Group's website, www.enquest.com, under Environmental, Social and Governance.

Culture

Safety is at the heart of EnQuest's Values. The Group undertakes continuous improvement activities in support of the delivery of SAFE behaviours aligned to four key pillars of:

- Standards – following rules and procedures;
- Awareness – understanding the hazards and controls;
- Fairness – adopting the correct behaviours; and
- Engagement – communicating effectively.

The outcome of continuous improvement activities is to ensure that the Group's health and safety culture continues to grow with a focus on the prevention of personal injuries, dangerous occurrences and hydrocarbon releases.

During 2021, a Group-wide asset integrity review was undertaken. The purpose of this review was to look at the way asset integrity is managed from a people, plant, process and technology perspective in order to identify strengths and opportunities for improvement. The asset integrity review has had independent input with a focus on how EnQuest manages risk, allocate resources and deliver via capable and competent people. The outcome is an improved approach to asset integrity from a visibility and cost allocation perspective allowing for improved risk-based decision making.

"SAFE behaviours are fundamental to our safety culture and contribute to the delivery of SAFE Results. These behaviours map across all areas of health, safety, environment and assurance to ensure that we contribute positively to the business goals."

Peter Hepburn
HSEA Director

The uncertainty and challenge of operating in an environment impacted by COVID-19 continued into 2021, with the Group experiencing some impacts to operations reflecting both the availability of personnel and the necessary actions to ensure a safe operating environment is maintained. The Group's proactive approach in providing practical support and guidance to its offshore and onshore workforce, following best practice and government and industry policy has, however, minimised the risk in relation to the health and safety of its people.

The Group's health and safety performance has continued to be strong from a leading and lagging perspective and there has been further development of the continuous improvement culture.

Several other activities have been undertaken in 2021 that will enable further health and safety culture enhancements:

- Development of a Group-wide process safety management policy signed by the Chief Executive and Managing Directors, supported by leadership training by the Institute of Chemical Engineers;
- An HSEA capability review across the North Sea and Malaysia to align HSEA support across the Group to allow for future career development and HSEA process synergies;
- Continued to contribute positively to the industry organisations Offshore Energies UK and Step Change in Safety; and

A visit from decommissioning partners on the Thistle platform

Environmental, Social and Governance continued

Top-quartile LTI frequency[1] performance

0.21

Reportable hydrocarbon releases across the Group

2

1 Lost Time Incident frequency represents the number of incidents per million exposure hours worked (based on 12 hours for offshore and eight hours for onshore)

- Exceeded the target for site safety-leadership visits, a leading safety indicator, for both physical and virtual engagement, while also seeing a reduction in high risk safety and environmental critical element repair orders, which has lowered the risk profile across the Group.

During 2021, the Group highlighted the emphasis it places on maintaining a strong safety culture through the presentation of two SAFE Results 'Values awards' and two safety observation card awards at Global Town Hall events.

Health

During 2021, the Group's approach to COVID-19, developed upon the principles of safety and welfare of people and security of supply, has continued to evolve, receiving positive comments from regulatory bodies and from those within the EnQuest supply chain. The controls continue to be reviewed and, as such, there is a high level of resilience in relation to minimising the impact of COVID-19.

With many of the onshore team working from home during 2021, the health and wellbeing of the EnQuest workforce has continued to be a focus area, with various initiatives focused on both physical and mental health being successfully delivered (see pages 40 to 41 for more information).

Personal safety

Despite the challenges and uncertainties of 2021 and managing late-life assets through production operations and decommissioning activities, the Group's Lost Time Incident ('LTI') performance remained relatively stable, with a Group LTI frequency[1] of 0.21 (2020: 0.22). Various notable milestones were achieved across the Group's asset base:

- The UK North Sea recorded an LTI frequency rate of zero against a United Kingdom Continental Shelf benchmark of 1.45 and an International Association of Oil and Gas Producers benchmark of 0.22, placing the business' performance in the upper quartile;
- One lost time injury was reported across the Group against a backdrop of 4,805,492 million hours worked; and
- Our team at Kittiwake recorded 16 years LTI free.

Process safety

Process safety has been a focus in 2021 with a drive to bring design and engineering, asset integrity and operating integrity collectively under the title of process safety. In conjunction with the asset integrity review, there has been progress achieved in risk review processes, such as the automation of the major accident hazard barrier model, allowing for the extraction of real-time inspection and maintenance data. This has been further supported by a focus at the monthly asset Process Safety Review and Improvement Boards to generate open and transparent discussions about key threats and control arrangements:

- For those assets in a decommissioning phase and not processing hydrocarbons, asset integrity is being assured to deliver safe decommissioning activities, while the management of safety-critical repair orders is being tailored to reflect the specific circumstances of each asset;
- HSEA systems have continued to be reviewed and the use of data visualisation tools is better informing HSEA performance and ensuring that any response to changing HSEA processes is supported by reliable data sources taken from automated systems;
- The adoption of a learning team approach has allowed for similar HSE events to be investigated in a way that quickly identifies learnings and increases the understanding of the event to a wider audience, preventing recurrence of similar HSE events;
- In both Malaysia and the UK, regulator interaction continues in an open and transparent manner, allowing for collaboration on key issues; and
- Reportable hydrocarbon releases across UK operated assets decreased to one in 2021 (2020: four; 2019: 11), with those in Malaysia also decreasing to one in 2021 (2020: two; 2019: five).

At SVT, two improvement notices were issued by the Health and Safety Executive ('HSE') in relation to asset integrity issues in redundant pipework, one of which was closed in-year. At Magnus, the HSE issued two improvement notices in relation to the draining of liquid hydrocarbons and the asset's assurance processes. All improvement notices have already been, or will be, complied with in accordance with the action plans and timelines agreed with the HSE. All of these improvement notices provide the Group with the opportunity to further improve process safety arrangements, prevent future hydrocarbon releases and increase assurance across the Group.

Community

Board committee oversight

In 2021, EnQuest extended the remit of the Remuneration Committee to include social responsibility, covering our external support of charitable works and education initiatives, and the working environment within EnQuest. The Committee will further develop its work in 2022 to establish a more structured approach to budgeting for social and charitable projects as well as developing a set of principles which underpin the experience of employment with EnQuest to better support attracting and retaining the best talent.

As the global COVID-19 pandemic continued to impact communities everywhere, EnQuest maintained its strong commitment to directly support the local communities in which it operates worldwide.

UK

- Offshore and at the Sullom Voe Terminal ('SVT'), charitable donations are linked to strong health and safety performance. Through these schemes, EnQuest was able to donate to a wide variety of charities, including Children's Hospices Across Scotland ('CHAS'), The Scottish Association for Mental Health, rural Scottish health charity, Sandpiper Trust, CLAN Cancer Support, Shetland MS Society, and Shetland Rape Crisis
- SVT owners also sponsored Island events in 2021, including the Shetland Recreational Trust's Outdoor Family Fun day, which provided an opportunity for all families across Shetland to socialise, play and reconnect with others after a challenging and socially isolated year
- Commitment to our two core corporate charities in Aberdeen, Archway's and CLAN Cancer Support, was maintained throughout the year, although our usual activities were necessarily curtailed by the impact of the pandemic
- Separately, EnQuest in Aberdeen supported a wide variety of other charitable causes. These included a remarkably courageous long-time EnQuest contractor and prostate cancer sufferer, Maurice Bevin, in a sponsored walk from Scotland to Cornwall to raise awareness about this disease
- With a lull in the severity of COVID-19 over the summer months, EnQuest was able to offer five internship placements in roles from Upstream to Communications to young student engineers connected to the Association for Black and Minority Ethnic Engineers. This scheme proved very successful, with several participants having successfully found permanent placements in the industry
- The Trustees of the Sullom Voe Terminal Participants' Tenth Anniversary Education Trust, which was established to promote and encourage the education of Shetland residents who will be studying a discipline likely to contribute to the social or economic development of Shetland, sponsored ten educational awards for the academic year 2021/2022. Some of the participants were given the opportunity to spend time on site working on projects for the terminal, providing them with necessary experience to complement the degrees they are pursuing

Malaysia

In Malaysia, we continued to support a very active programme of local community initiatives, charitable donations and educational sponsorship:

- Fundraising by EnQuest staff in Malaysia provided financial support for a number of onshore and offshore staff affected by the monsoon season. The fund was matched in full by EnQuest
- Continued support of the Sungai Pergam Orang Asli Primary School in Terengganu focusing on a student bursary programme entitled 'Love My School'. EnQuest Malaysia has supported the programme since June 2019, providing 70 students with funds to pay for school meals and learning essentials
- Selecting 11 local university students for internship placements in a variety of disciplines, including Operations and HSE, as part of a graduate recruitment process
- Continuing to partner with the Institute of Chemical Engineers ('IChemE') to offer accreditation of the Universiti Kebangsaan Malaysia Chemical and Process Engineering Programme
- Continuing the sponsorship by EnQuest and The Amjad and Suha Bseisu Foundation of six undergraduate students in geology, chemical, mechanical and petroleum engineering from Universiti Malaya and Universiti Teknologi Malaysia
- Collaborating with the Malaysian Institute of Engineers ('IEM') in sponsoring the IEM Science Speak Out 2021, for a STEM (science, technology, engineering and mathematics) public speaking competition in the Selangor and Federal Territory Kuala Lumpur states for children aged between nine and 12 years
- Sponsoring and participating in the programme to replant 380 mangrove trees covering an approximate wetland area of 900m² within the Kuala Selangor Nature Park in collaboration with the Majlis Perbandaran Kuala Selangor (Kuala Selangor Town Hall) and Malaysian Nature Society

Charitable donations in 2021 ($000)

c.184

2025 targets:
Women in leadership and management roles

30%

Ethnic minority representation in Executive leadership roles

15–20%

Our people

Charitable donations in 2021

EnQuest remains committed to providing an inclusive culture that recognises and celebrates difference, encourages diversity of thought and embraces new ways of working to create an environment that enables the development of creative solutions to deliver performance and value. The Group-wide diversity and inclusion ('D&I') strategy, developed during the first quarter of 2021, is now embedded in the overall strategy of the business, alongside the D&I policy. The policy, which can be found on the Group's website (www.enquest.com), outlines seven key commitments:

- Challenge our personal bias;
- Understand the diversity of our workforce;
- We will resource, ensuring diversity matters;
- Engage and educate our workforce on D&I;
- Learn from each other by providing reverse mentoring;
- Consider suppliers who are diverse and inclusive; and
- Learn and continuously improve.

'Conscious inclusion' training has been provided to managers to help them recognise and overcome bias, while recruitment processes are being evolved to encourage a broad spectrum of applicants. The Group's EnQlusion committee promoted a number of initiatives during 2021, including continued support for becoming an active member of the Association for Black and Minority Ethnic Engineers, International Women in Engineering Day and the UK's AXIS Network. EnQuest was delighted to be nominated as one of three finalists for the 2021 OGUK Diversity & Inclusion Award, from over 90 applications submitted from across the industry. Recognition as a finalist has further reinforced our commitment to the D&I strategy and our direction of travel. An employee 'pulse' survey was conducted over the summer focusing on D&I at EnQuest. Metrics relating to inclusion scored more strongly than those directly related to diversity, demonstrating that a continued focus is required to ensure a truly diverse workforce. A further D&I survey is planned for 2022 to measure the Group's progress.

Targets have also been set for gender and ethnicity representation in leadership with a target of 30% women in both leadership roles and management grades across the business, and 15-20% minority ethnic representation in Executive leadership roles, with targets to be achieved by 2025 (see page 96 of the Governance and Nomination Committee report for our gender diversity statistics).

With D&I central to ways of working, the Group continues to challenge its recruitment, employment and training policies and how they attract, retain and develop a wide range of talent in the organisation.

EnQuest also remains committed to fair treatment of people with disabilities in relation to job applications. Full consideration is given to applications from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. As set out in the Equal Opportunities & Dignity at Work Policy, the Group encourages individuals with a disability, or who develop a disability at any time during their employment, to speak to their line manager about their condition. This will enable the Group to provide support and access to the necessary training for the relevant individual.

Ways of working and engagement

The restrictions imposed during 2020 and into 2021 as a result of the COVID-19 pandemic required EnQuest to continue to provide practical support and guidance to its offshore and onshore workforce, following best practice and government and industry policy. As society gradually emerges from restrictions, the way the Group operates continues to be a focus, with EnQuest considering the appropriate balance for its onshore teams between site, office and home working, to promote strong productivity and business performance facilitated by an engaged workforce.

To help us understand employee engagement levels, a Group-wide employee survey concluded in early 2022, with a participation rate of over 71%. The results were communicated to teams and managers across the business, with progress against existing action plans reviewed and updates made to those plans to address areas where there is identified scope for improvement.

In addition to engagement surveys, the EnQuest global employee forum, chaired by two formally designated Non-Executive Directors (as required under the UK Corporate Governance Code), met four times throughout 2021. Areas discussed and reviewed during the year included:

- Flexible working arrangements;
- Employee communications and recognition;
- Women in leadership;
- Mentoring programmes;
- Environmental responsibility; and
- Diversity.

Further details of how the Company engages with its workforce can be found in the Corporate governance statement on page 66.

A focus on wellbeing

The mental and physical welfare of all employees has been, and continues to be, a major focus for the business. Mental health awareness has remained an important aspect of wellbeing, particularly in light of the changing landscape relating to COVID restrictions and safeguards. We continue to promote a third-party digital platform offering tools and techniques to support wellbeing and have delivered targeted awareness initiatives on mental health, stress awareness, workload and prioritisation, resilience, and suicide awareness. We use our internal communication channels to promote these initiatives alongside those targeted at physical health, including Pilates and nutrition, and those with a competitive aspect, like the 'rig-run' and 'step count' challenges, throughout the year.

Continued growth and learning

To support our new D&I strategy, 'Creating an Inclusive Culture' training was delivered globally to all supervisors and leaders. These sessions set the scene for the new D&I strategy and focused on creating a psychologically safe working environment, including recognition of microaggressions, privilege and unconscious bias.

Following the rollout of our Management Expectations document (a set of 11 key expectations for all managers at EnQuest), supervisors and leaders across EnQuest were offered training to provide them with tools to enhance their leadership capability. The training covered areas such as clear goal setting, motivating and communicating with teams, addressing increased workload and living and working with COVID-related restrictions.

In line with UK legislation, EnQuest contributes to the UK Apprenticeship Levy each year. Contributions to the Levy can be reclaimed for specific training initiatives and EnQuest has partnered with FutureStart to launch a Vocational Leadership Programme during 2021. Over 100 employees have expressed an interest, and more than 60 employees have commenced work on this 18-month programme which, once completed, will deliver a vocational qualification in leadership to participating employees.

In Malaysia, the e-Learning platform was used to ensure continued learning and development despite in-country COVID-related restrictions. The platform registered a participation rate of more than 80%, with a total of 287 courses completed, 107 in progress and 211 new courses registered.

In 2021, we have continued to develop high-potential employees and succession planning for business-critical roles. We have a regular programme of review to ensure the direction, focus and development of those identified remains relevant and on track. The Group has also continued its programme of job-specific training throughout 2021 to maintain levels of skills and competence, particularly in relation to safety-critical roles.

Gender pay gap

Since reporting commenced in 2017, there has been a significant narrowing of the Group's gender pay gap statistics, with the gap related to the average rate of total pay for women reducing from 38.7% in 2017 to 22.0% in 2021. Although it is disappointing that between 2020 and 2021 the gap widened slightly, from 20.8% to 22.0%, this was a direct result of the strategic business transformation process undertaken during 2020 and the resulting change in the shape of the workforce in line with business needs.

The Group remains committed to narrowing the gender pay gap and continues to provide equal pay for equal jobs. This will be achieved through an ongoing focus on D&I in all aspects of the business. In addition to a fair and balanced recruitment and promotion process with regular skills assessments, appropriate action is taken from feedback received from the employee forum and the global employee engagement survey results, as we continue to embed our D&I strategy throughout the organisation.

The Group's people and organisational strategy is to ensure that it has the right people, in the right roles, driving performance and delivering efficiencies as it continues to pursue its strategy. As such, it ensures that its processes are open and transparent, providing equal opportunities for all. EnQuest will continue with this approach, recruiting individuals based on merit and their suitability for the role.

> "At EnQuest, we expect to have an inclusive culture, where everyone can be themselves, express their views and offer their opinions. Opening up the creativity in our Group will help strengthen us, adapt and grow."
>
> **Janice Mair**
> Director People, Culture & Diversity

Governance

Robust risk management framework

Risks and uncertainties

Management of risks and uncertainties

Consistent with the Group's purpose, the Board has articulated EnQuest's strategic vision to be the operator of choice for maturing and underdeveloped hydrocarbon assets. EnQuest aims to responsibly optimise production, leverage existing infrastructure, deliver a strong decommissioning performance and explore new energy and further decarbonisation opportunities. It is focused on delivering on its targets, driving future growth and managing its capital structure and liquidity.

EnQuest seeks to balance its risk position between investing in activities that can achieve its near-term targets, including those associated with reducing emissions, and those which can drive future growth with the appropriate returns, including any appropriate market opportunities that may present themselves, and the continuing need to remain financially disciplined. This combination drives cost efficiency and cash flow generation, facilitating the continued reduction in the Group's debt.

In pursuit of its strategy, EnQuest has to manage a variety of risks. Accordingly, the Board has established a Risk Management Framework ('RMF') to enhance effective risk management within the following Board-approved overarching statements of risk appetite:

- The Group makes investments and manages the asset portfolio against agreed key performance indicators consistent with the strategic objectives of enhancing net cash flow, reducing leverage, reducing emissions, managing costs and diversifying its asset base;
- The Group seeks to embed a culture of risk management within the organisation corresponding to the risk appetite which is articulated for each of its principal risks;
- The Group seeks to avoid reputational risk by ensuring that its operational and HSEA processes, policies and practices reduce the potential for error and harm to the greatest extent practicable by means of a variety of controls to prevent or mitigate occurrence; and
- The Group sets clear tolerances for all material operational risks to minimise overall operational losses, with zero tolerance for criminal conduct.

The Board reviews the Group's risk appetite annually in light of changing market conditions and the Group's performance and strategic focus. The Executive Committee periodically reviews and updates the Group Risk Register based on the individual risk registers of the business. The Group Risk Register, along with an assurance mapping and controls review exercise; a risk report (focused on identifying and mitigating the most critical and emerging risks through a systematic analysis of the Group's business, its industry and the global risk environment); and a continuous improvement plan is periodically reviewed by the Board (with senior management) to ensure that key issues are being adequately identified and actively managed. In addition, the Group's Safety, Climate and Risk Committee (a sub-Committee of the Board) provides a forum for the Board to review selected individual risk areas in greater depth (for further information, please see the Safety, Climate and Risk Committee report on pages 97 to 98).

As part of its strategic, business planning and risk processes, the Group considers how a number of macroeconomic themes may influence its principal risks. These are factors which the Group should be cognisant of when developing its strategy. They include, for example, long-term supply and demand trends for oil and gas and renewable energy, developments in technology, demographics, the financial and physical risks associated with climate change and how markets and the regulatory environment may respond, and the decommissioning of infrastructure in the UK North Sea and other mature basins. These themes are relevant to the Group's assessments across a number of its principal risks. The Group will continue to monitor these themes and the relevant developing policy environment at an international and national level, adapting its strategy accordingly. For example, the Group has established an Infrastructure and New Energy business to assess new energy and decarbonisation opportunities, initially focused on using the existing infrastructure at the Sullom Voe Terminal. The Group is also conscious that as an operator of mature producing assets with limited appetite for exploration, it has limited exposure to investments which do not deliver near-term returns and is therefore in a position to adapt and calibrate its exposure to new investments according to developments in relevant markets. This flexibility also ensures the Group has mitigation against the potential impact of 'stranded assets'.

Environmental, Social and Governance continued

As part of its evolution of the Group's RMF, the Safety, Climate and Risk Committee has refreshed its views on all risk areas faced by the Group (categorising these into a 'Risk Library' of 19 overarching risks). For each risk area, the Committee reviewed 'Risk Bowties' that identified risk causes and impacts and mapped these to preventative and containment controls used to manage the risks to acceptable levels (see diagram to the right).

The Board, supported by the Audit Committee and the Safety, Climate and Risk Committee, has reviewed the Group's system of risk management and internal control for the period from 1 January 2021 to the date of this report and carried out a robust assessment of the Group's emerging and principal risks and the procedures in place to identify and mitigate these risks.

The Board confirms that the Group complies in this respect with the Financial Reporting Council's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

ENQUEST RISK MANAGEMENT FRAMEWORK

What we monitor

Enterprise risk register
A summary of the Group's key risks and prepared by combining key risks identified from the asset and functional risk registers with Group-level risks.

Asset and functional risk registers
A compilation of risks (including threats and opportunities) and mitigating controls being managed at an operational/functional level on a day-to-day basis.

Quarterly RMF performance report
Reviewed by leadership teams before being presented to the Safety, Climate and Risk Committee and uploaded to the Board portal.

Continuous Improvement Plan
A summary of the key actions planned for continual improvement of the risk management framework.

Risk landscape inputs/considerations
Comprises:

(a) long-term macro factors such as political risk; supply and demand trends; climate change-related financial, physical and transition risks; and the decommissioning of infrastructure; and

(b) near-term, emerging and principal risks. These are considered holistically on a backwards and forward-looking basis, alongside outputs from relevant strategic reviews, and summarised in an annual Risk Report presented to the Safety, Climate and Risk Committee.

Assessment
Risk causes; likelihood and impact; gross impact; mitigating controls (preventative and containment); net impact; risk appetite; improvement actions; and risk owner.

Identified risks
14 principal risks mapped from a 'Risk Library' of 19 overarching risks.

How we monitor

Board of Directors (pages 58 to 59)
Responsible for providing oversight of the Group's control and risk management systems, reviewing key risks and mitigating controls periodically. Approves the Group's risk appetite annually and approves the Group's going concern and viability statements.

Audit Committee (pages 69 to 75)
- Reviews the effectiveness of the Group's internal controls and risk management systems;
- Reviews the internal audit assurance map against principal risks; and
- Reviews and recommends for approval by the Board the Group's going concern and viability statements.

Supported by the Group's Internal Audit function.

Safety, Climate and Risk Committee (pages 97 to 98)
- Supports the implementation and progression of the Group's RMF;
- Monitors the adequacy of containment and mitigating controls, and progression of mitigation of risks;
- Undertakes in-depth analysis of specific risks and considers existing and potential new controls; and
- Conducts detailed reviews of key non-financial risks not reviewed within the Audit Committee.

Operations Committee
- Regularly reviews the Group's operating performance against stretching targets and agreed KPIs; and
- Regularly reviews the Group's asset risk registers and considers the results of assurance audits over operational controls.

Executive Committee
- Frequently reviews Group performance, including financial, operating and HSE performance; and
- Periodically reviews the Group's risk register and RMF performance report.

HSEA Directorate
- Regularly reviews the Group's HSE performance against stretching targets, agreed KPIs and industry benchmarks; and
- Regularly reviews the HSE risk register and considers the results of assurance audits over HSE controls.

Key Performance Indicators ('KPIs'):
A: HSEA (LTI) **B:** Production (Boepd) **C:** Unit opex ($/Boe) **D:** Cash generated by operations ($ million)
E: Cash capital and abandonment expense ($ million) **F:** Net debt ($ million) **G:** Net 2P reserves (MMboe) **H:** Emissions (tCO_2e)

Near-term and emerging risks

As outlined above, the Group's RMF is embedded in all levels of the organisation with asset risk registers, regional and functional risk registers and ultimately an enterprise-level 'Risk Library'. This integration enables the Group to identify quickly, escalate and appropriately manage emerging risks.

During 2021, work was continued to enhance the integration of these risk registers and automate the process to allow management to understand better the various asset risks and how these ultimately impact on the enterprise-level risk and their associated 'Risk Bowties'. In turn, this ensures that the preventative and containment controls in place for a given risk are reviewed and robust based upon the identified risk profile. It also drives the required prioritisation of deep dives to be undertaken by the Safety, Climate and Risk Committee, which are now integrated into the Group's internal audit programme for review.

The most relevant near-term and emerging risks, along with the Group's assessment of their potential impact on the business and associated required mitigations, have been recognised as follows:

Risk

COVID-19

As a responsible operator, EnQuest continues to monitor the evolving situation and consequent risks with regard to the COVID-19 pandemic, recognising it could impact a number of the Group's principal risks, such as human resources and oil price, which are disclosed later in the key business risks section of this report.

At the time of publication of EnQuest's full-year results, the Group's day-to-day operations continue without being materially affected.

Appetite

The Group's risk appetite for COVID-19 is reported against the Group's impacted principal risks.

Mitigation

The Group continues to work with a variety of stakeholders, including industry and medical organisations, to ensure its operational response and advice to its workforce is appropriate and commensurate with the prevailing expert advice and level of risk.

The biggest risk related to COVID-19 is the impact on oil prices if movement restrictions impact the demand for oil. See 'Oil and gas price' risk on page 47 for more information on how the Group mitigates against price risk.

Risk

Climate change

The Group recognises that climate change concerns and related regulatory developments could impact a number of the Group's principal risks, such as oil price, financial, reputational and fiscal and government take risks, which are disclosed later in this report.

Appetite

EnQuest recognises that the oil and gas industry, alongside other key stakeholders such as governments, regulators and consumers, must all play a part in reducing the impact of carbon-related emissions on climate change, and is committed to contributing positively towards the drive to net-zero.

The Group's risk appetite for climate change risk is reported against the Group's impacted principal risks.

Mitigation

Mitigations against the Group's principal risks potentially impacted by climate change are reported later in this report.

The Group endeavours to reduce emissions through improving operational performance, minimising flaring and venting where possible, and applying appropriate and economic improvement initiatives, noting the ability to reduce carbon emissions will be constrained by the original design of later-life assets.

EnQuest has reported on all of the greenhouse gas emission sources within its operational control required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 and The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (see pages 103 to 104 for more information).

The Group has committed to a 10% reduction in Scope 1 and 2 emissions over three years, from a year-end 2020 baseline, with the achievement linked to reward. Progress is reported to the Safety, Climate and Risk Committee of the Board in relation to progress of emission reductions, identification of economically viable emissions savings opportunities across the Group's portfolio of assets, aligned to the emissions management strategy.

During 2021, the Group established an Infrastructure and New Energy business that is responsible for delivering the Group's emission reduction objectives in line with Group and industry targets and advancing new energy and decarbonisation opportunities.

The Group's focus on short-cycle investments drives an inherent mitigation against the potential impact of 'stranded assets'.

Evolving geopolitical situation

Having assessed its commercial and IT security arrangements, the Group does not consider it has a material adverse exposure to the geopolitical situation with respect to the sanctions imposed on Russia, although recognises the evolving situation is causing oil price volatility. The Group will continue to monitor its position to ensure it remains compliant with any sanctions in place.

Environmental, Social and Governance continued

Key business risks

The Group's principal risks (identified from the 'Risk Library') are those which could prevent the business from executing its strategy and creating value for shareholders or lead to a significant loss of reputation. The Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

Cognisant of the Group's purpose and strategy, the Board is satisfied that the Group's risk management system works effectively in assessing and managing the Group's risk appetite and has supported a robust assessment by the Directors of the principal risks facing the Group.

Set out on the following pages are:

- the principal risks and mitigations;
- an estimate of the potential impact and likelihood of occurrence after the mitigation actions, along with how these have changed in the past year and which of the Group's KPIs could be impacted by this risk (see page 03 for an explanation of the KPI symbols); and
- an articulation of the Group's risk appetite for each of these principal risks.

Amongst these, the key risks the Group currently faces are materially lower oil prices for an extended period (see 'Oil and gas prices' risk on page 47), which may impact our ability to refinance debt and/or execute growth opportunities, and/or a materially lower than expected production performance for a prolonged period (see 'Production' risk on pages 47 to 48 and 'Subsurface risk and reserves replacement' on page 50).

Risk

Health, Safety and Environment ('HSE')

Oil and gas development, production and exploration activities are by their very nature complex, with HSE risks covering many areas, including major accident hazards, personal health and safety, compliance with regulatory requirements, asset integrity issues and potential environmental impacts, including those associated with climate change.

Potential impact
Medium (2020 Medium)

Likelihood
Medium (2020 Medium)

There has been no material change in the potential impact or likelihood of this risk. The Group has a strong, open and transparent reporting culture and monitors both leading and lagging indicators and incurs substantial costs in complying with HSE requirements. The Group's overall record on HSE has been strong, albeit impacted by regulatory challenges in relation to the management of the annual flare consent on Magnus and the receipt of improvement notices from the Health and Safety Executive.

There remains a risk to the availability of competent people given the potential impacts of COVID-19.

Related KPIs – A, B, C, D, E, F, H

Appetite

The Group's principal aim is SAFE Results with no harm to people and respect for the environment. Should operational results and safety ever come into conflict, employees have a responsibility to choose safety over operational results. Employees are empowered to stop operations for safety-related reasons.

The Group's desire is to maintain upper quartile HSE performance measured against suitable industry metrics. In 2021, EnQuest achieved a top quartile Lost Time Incident frequency rate and hydrocarbon release frequency rate in the UK.

Mitigation

The Group maintains, in conjunction with its core contractors, a comprehensive programme of assurance activities and has undertaken a series of deep dives into the Risk Bowties that have demonstrated the robustness of the management process and identified opportunities for improvement. A Group-aligned HSE continuous improvement programme is in place, promoting a culture of engagement and transparency in relation to HSE matters. HSE performance is discussed at each Board meeting and the mitigation of HSE risk continues to be a core responsibility of the Safety, Climate and Risk Committee. During 2021, the Group continued to focus on the control of major accident hazards and 'SAFE Behaviours'.

In addition, the Group has positive and transparent relationships with the UK Health and Safety Executive and Department for Business, Energy & Industrial Strategy, and the Malaysian regulator, Malaysia Petroleum Management.

EnQuest's HSE Policy is fully integrated across its operated sites and this has enabled an increased focus on HSE. There is a strong assurance programme in place to ensure EnQuest complies with its Policy and principles and regulatory commitments.

In 2021, an independent asset integrity review was undertaken across the Group. This allowed for a deep review of asset integrity looking at people, plant and process aspects in relation to the management of risk. The outcome was a more transparent and robust approach to cost allocation to key risk threats that could impact asset integrity.

The Group continues to monitor the evolving situation with regard to the impacts of COVID-19 in conjunction with a variety of stakeholders, including industry and medical organisations. Appropriate actions will continue to be implemented in accordance with expert advice and the level of risk.

Key Performance Indicators ('KPIs'):

A: HSEA (LTI) **B:** Production (Boepd) **C:** Unit opex ($/Boe) **D:** Cash generated by operations ($ million) **E:** Cash capital and abandonment expense ($ million) **F:** Net debt ($ million) **G:** Net 2P reserves (MMboe) **H:** Emissions (tCO_2e)

Risk

Oil and gas prices

A material decline in oil and gas prices adversely affects the Group's operations and financial condition as the Group's revenue depends substantially on oil prices.

Potential impact
High (2020 High)

Likelihood
High (2020 High)

The potential impact and likelihood remain high, reflecting the uncertain economic outlook, including possible impacts from COVID-19, and the potential acceleration of 'peak oil' demand.

The Group recognises that climate change concerns and related regulatory developments are likely to reduce demand for hydrocarbons over time. This may be mitigated by correlated constraints on the development of new supply. Further, oil and gas will remain an important part of the energy mix, especially in developing regions.

Related KPIs – B, D, E, F, G

Appetite

The Group recognises that considerable exposure to this risk is inherent to its business but is committed to protecting cash flows in line with the terms of its reserve based lending facility.

Mitigation

This risk is being mitigated by a number of measures.

As an operator of mature producing assets with limited appetite for exploration, the Group has limited exposure to investments which do not deliver near-term returns and is therefore in a position to adapt and calibrate its exposure to new investments according to developments in relevant markets.

The Group monitors oil price sensitivity relative to its capital commitments. The terms of the Group's reserve based lending facility also requires hedging of its production (see page 157). The Group has a policy which allows hedging of its production (see page 157). As at 23 March 2022, the Group had hedged approximately 12.1 MMbbls for 2022 and 2023. This ensures that the Group will receive a minimum oil price for some of its production.

In order to develop its resources, the Group needs to be able to fund the required investment. The Group will therefore regularly review and implement suitable policies to hedge against the possible negative impact of changes in oil prices.

The Group has an established in-house trading and marketing function to enable it to enhance its ability to mitigate the exposure to volatility in oil prices.

Further, as described previously, the Group's focus on production efficiency supports mitigation of a low oil price environment.

Risk

Production

The Group's production is critical to its success and is subject to a variety of risks, including: subsurface uncertainties; operating in a mature field environment; potential for significant unexpected shutdowns; and unplanned expenditure (particularly where remediation may be dependent on suitable weather conditions offshore).

Lower than expected reservoir performance or insufficient addition of new resources may have a material impact on the Group's future growth.

The Group's delivery infrastructure in the UK North Sea is, to a significant extent, dependent on the Sullom Voe Terminal.

Longer-term production is threatened if low oil prices or prolonged field shutdowns and/or underperformance requiring high-cost remediation bring forward decommissioning timelines.

Potential impact
High (2020 High)

Likelihood
Medium (2020 Medium)

There has been no material change in the potential impact or likelihood. Operational issues at Magnus, which resulted in the Group lowering its production guidance for 2021, have been offset by the Group acquiring a non-operated interest in the Golden Eagle area in the UK North Sea.

Related KPIs – B, C, D, E, G, H

Appetite

Since production efficiency and meeting production targets are core to EnQuest's business, the Group seeks to maintain a high degree of operational control over production assets in its portfolio. EnQuest has a very low tolerance for operational risks to its production (or the support systems that underpin production).

Mitigation

The Group's programme of asset integrity and assurance activities provide leading indicators of significant potential issues, which may result in unplanned shutdowns, or which may in other respects have the potential to undermine asset availability and uptime. The Group continually assesses the condition of its assets and operates extensive maintenance and inspection programmes designed to minimise the risk of unplanned shutdowns and expenditure.

The Group monitors both leading and lagging KPIs in relation to its maintenance activities and liaises closely with its downstream operators to minimise pipeline and terminal production impacts.

Production efficiency is continually monitored with losses being identified and remedial and improvement opportunities undertaken as required. A continual, rigorous cost focus is also maintained.

Life of asset production profiles are audited by independent reserves auditors. The Group also undertakes regular internal reviews. The Group's forecasts of production are risked to reflect appropriate production uncertainties.

The Sullom Voe Terminal has a good safety record, and its safety and operational performance levels are regularly monitored and challenged by the Group and other terminal owners and users to ensure that operational integrity is maintained. Further, EnQuest is committed to transforming the Sullom Voe Terminal to ensure it remains competitive and well placed to maximise its useful economic life and support the future of the North Sea.

The Group actively continues to explore the potential of alternative transport options and developing hubs that may provide both risk mitigation and cost savings.

The Group also continues to consider new opportunities for expanding production.

Risk

Financial

Inability to fund financial commitments or maintain adequate cash flow and liquidity and/or reduce costs.

Significant reductions in the oil price or material reductions in production will likely have a material impact on the Group's ability to repay or refinance its existing credit facilities. Prolonged low oil prices, cost increases, including those related to an environmental incident, and production delays or outages, could threaten the Group's liquidity and/or ability to comply with relevant covenants. Similar conditions could impact the Group's ability to refinance the bonds ahead of maturity in October 2023. Further information is contained in the Financial review, particularly within the going concern and viability disclosures on pages 30 and 31.

Potential impact
High (2020 High)

Likelihood
High (2020 High)

There is no change to the potential impact or likelihood, reflecting the continued economic uncertainty and potential impact of oil price fluctuations.

The Group successfully refinanced its existing term loan and revolving credit facility during 2021 and completed the Golden Eagle area acquisition.

There is potential for the availability and cost of capital to increase and insurance availability to erode, as factors such as climate change and other ESG concerns and oil price volatility may reduce investors' and insurers' acceptable levels of oil and gas sector exposure, and the cost of emissions trading certificates may continue to trend higher along with insurers' reluctance to provide surety bonds for decommissioning, thereby requiring the Group to fund decommissioning security through its balance sheet.

Related KPIs – B, C, E, F, G, H

Appetite

The Group recognises that significant leverage was required to fund its growth as low oil prices impacted revenues. However, it is intent on further reducing its leverage levels, maintaining liquidity, controlling costs and complying with its obligations to finance providers while delivering shareholder value, recognising that reasonable assumptions relating to external risks need to be made in transacting with finance providers.

Mitigation

Debt reduction is a strategic priority. During 2021, the Group refinanced its secured credit facility, enabling the acquisition of the Golden Eagle area. Strong cash generation enabled the Group to finance a larger portion of the Golden Eagle acquisition from cash flow, resulting in a lower than expected drawdown on the Group's RBL facility. At 23 March 2022, the RBL facility was drawn to $330 million, with voluntary early repayments ensuring the Group remains ahead of the facility amortisation schedule.

Ongoing compliance with the financial covenants under the Group's reserve based lending facility is actively monitored and reviewed.

EnQuest generates operating cash inflow from the Group's producing assets. The Group reviews its cash flow requirements on an ongoing basis to ensure it has adequate resources for its needs.

Where costs are incurred by external service providers, the Group actively challenges operating costs. The Group also maintains a framework of internal controls.

The Group continues to explore options to refinance its retail and high yield bonds ahead of maturity in October 2023.

These steps, together with other mitigating actions available to management, are expected to provide the Group with sufficient liquidity to strengthen its balance sheet further.

Risk

Competition

The Group operates in a competitive environment across many areas, including the acquisition of oil and gas assets, the marketing of oil and gas, the procurement of oil and gas services and access to human resources.

Potential impact
High (2020 High)

Likelihood
High (2020 High)

The potential impact and likelihood remain unchanged, with a number of competitors assessing the acquisition of available oil and gas assets and the rising potential for consolidation (e.g. through reverse mergers).

Related KPIs – C, D, E, F, G

Appetite

The Group operates in a mature industry with well-established competitors and aims to be the leading operator in the sector.

Key Performance Indicators ('KPIs'):
A: HSEA (LTI) **B:** Production (Boepd) **C:** Unit opex ($/Boe) **D:** Cash generated by operations ($ million)
E: Cash capital and abandonment expense ($ million) **F:** Net debt ($ million) **G:** Net 2P reserves (MMboe) **H:** Emissions (tCO_2e)

Mitigation

The Group has strong technical, commercial and business development capabilities to ensure that it is well positioned to identify and execute potential acquisition opportunities, utilising innovative structures as may be appropriate.

The Group maintains good relations with oil and gas service providers and constantly keeps the market under review. EnQuest has a dedicated marketing and trading group of experienced professionals responsible for maintaining relationships across relevant energy markets, thereby ensuring the Group achieves the highest possible value for its production.

In addition, the marketing and trading group is responsible for the Group's commodity price risk management activities in accordance with the Group's business strategy.

Risk

IT security and resilience

The Group is exposed to risks arising from interruption to, or failure of, IT infrastructure. The risks of disruption to normal operations range from loss in functionality of generic systems (such as email and internet access) to the compromising of more sophisticated systems that support the Group's operational activities. These risks could result from malicious interventions such as cyber-attacks or phishing exercises.

Potential impact
Medium (2020 Medium)

Likelihood
Medium (2020 Medium)

There has been no change to the potential impact or likelihood, with the Group enhancing its IT security in light of the evolving geopolitical situation.

Related KPIs – A, B, H

Appetite

The Group endeavours to provide a secure IT environment that is able to resist and withstand any attacks or unintentional disruption that may compromise sensitive data, impact operations, or destabilise its financial systems; it has a very low appetite for this risk.

Mitigation

The Group has established IT capabilities and endeavours to be in a position to defend its systems against disruption or attack.

A number of tools to strengthen employee awareness continue to be utilised, including videos, presentations, 'Yammer' posts and poster campaigns.

The Safety, Climate and Risk Committee undertook additional analyses of cyber-security risks in 2021. The Group has a dedicated cyber-security manager and work on assessing the cyber-security environment and implementing improvements as necessary will continue during 2022.

Risk

Portfolio concentration

The Group's assets are primarily concentrated in the UK North Sea around a limited number of infrastructure hubs and existing production (principally oil) is from mature fields. This amplifies exposure to key infrastructure (including ageing pipelines and terminals), political/fiscal changes and oil price movements.

Potential impact
High (2020 High)

Likelihood
High (2020 High)

The Group is currently focused on oil production and does not have significant exposure to gas or other sources of income. The decisions taken to accelerate cessation of production at a number of the Group's assets has further reduced the number of producing assets and so increased portfolio concentration.

During 2021, the Group acquired a 26.69% non-operated equity interest in the Golden Eagle area, a 40.81% operating interest in the Bressay heavy-oil field and 100.00% equity interest in the P1078 licence in the UK North Sea containing the proven Bentley heavy-oil discovery.

The Group continues to assess acquisition growth opportunities with a view to improving its asset diversity over time.

The Group also established an Infrastructure and New Energy business to unlock renewable energy and decarbonisation opportunities in the medium to long term.

Related KPIs – B, C, D

Appetite

Although the extent of portfolio concentration is moderated by production generated in Malaysia, the majority of the Group's assets remain relatively concentrated in the UK North Sea and therefore this risk remains intrinsic to the Group.

Mitigation

This risk is mitigated in part through acquisitions. For all acquisitions, the Group uses a number of business development resources, both in the UK and internationally, to liaise with vendors/governments and evaluate and transact acquisitions. This includes performing extensive due diligence (using in-house and external personnel) and actively involving executive management in reviewing commercial, technical and other business risks together with mitigation measures.

The Group also constantly keeps its portfolio under rigorous review and, accordingly, actively considers the potential for making disposals and divesting, executing development projects, making international acquisitions, expanding hubs and potentially investing in gas assets, export capability or renewable energy and decarbonisation projects where such opportunities are consistent with the Group's focus on enhancing net revenues, generating cash flow and strengthening the balance sheet.

Risk

Subsurface risk and reserves replacement

Failure to develop its contingent and prospective resources or secure new licences and/or asset acquisitions and realise their expected value.

Potential impact
High (2020 High)

Likelihood
Medium (2020 Medium)

There has been no material change in the potential impact or likelihood.

Low oil prices or prolonged field shutdowns requiring high-cost remediation which accelerate cessation of production can potentially affect development of contingent and prospective resources and/or reserves certifications.

Related KPIs – B, C, D, E, F, G

Appetite

Reserves replacement is an element of the sustainability of the Group and its ability to grow. The Group has some tolerance for the assumption of risk in relation to the key activities required to deliver reserves growth, such as drilling and acquisitions.

Mitigation

The Group puts a strong emphasis on subsurface analysis and employs industry-leading professionals. The Group continues to recruit in a variety of technical positions which enables it to manage existing assets and evaluate the acquisition of new assets and licences.

All analysis is subject to internal and, where appropriate, external review and relevant stage gate processes. All reserves are currently externally reviewed by a Competent Person.

The Group has material reserves and resources at Magnus, Kraken, Golden Eagle and PM8/Seligi that it believes can primarily be accessed through low-cost subsea drilling and tie-backs to existing infrastructure. EnQuest continues to evaluate the substantial 2C resources at Bressay, Bentley and PM409 to identify future drilling prospects. Bressay and Bentley are located close to the Group's Kraken development, while PM409 is contiguous to the Group's existing PM8/Seligi PSC, providing low-cost tie-back opportunities.

The Group continues to consider potential opportunities to acquire new production resources that meet its investment criteria.

Risk

Project execution and delivery

The Group's success will be partially dependent upon the successful execution and delivery of potential future projects, including decommissioning and Infrastructure and New Energy opportunities in the UK, that are undertaken.

Potential impact
Medium (2020 Medium)

Likelihood
Low (2020 Low)

The potential impact and likelihood remain unchanged. As the Group focuses on reducing its debt, its current appetite is to pursue short-cycle development projects and to manage its UK decommissioning and Infrastructure and New Energy projects over an extended period of time.

Related KPIs – A, B, D, E, F, G, H

Appetite

The efficient delivery of projects has been a key feature of the Group's long-term strategy. The Group's appetite is to identify and implement short-cycle development projects such as infill drilling and near-field tie-backs in its Upstream business, industrialise decommissioning projects to ensure cost efficiency and unlock new energy and decarbonisation opportunities through innovative commercial structures. While the Group necessarily assumes significant risk when it sanctions a new project (for example, by incurring costs against oil price assumptions), or a decommissioning programme, it requires that risks to efficient project delivery are minimised.

Mitigation

The Group has teams which are responsible for the planning and execution of new projects with a dedicated team for each project. The Group has detailed controls, systems and monitoring processes in place, notably the Capital Projects Delivery Process, to ensure that deadlines are met, costs are controlled and that design concepts and the Field Development Plan are adhered to and implemented. These are modified when circumstances require and only through a controlled management of change process and with the necessary internal and external authorisation and communication. The Group's UK decommissioning programmes are managed by a dedicated directorate with an experienced team who are driven to deliver projects safely at the lowest possible cost and associated emissions.

In Infrastructure and New Energy, the Group intends to work with experienced third-party organisations and utilise innovative commercial structures to develop new energy and decarbonisation opportunities.

The Group also engages third-party assurance experts to review, challenge and, where appropriate, make recommendations to improve the processes for project management, cost control and governance of major projects. EnQuest ensures that responsibility for delivering time-critical supplier obligations and lead times are fully understood, acknowledged and proactively managed by the most senior levels within supplier organisations.

Key Performance Indicators ('KPIs'):
A: HSEA (LTI) **B:** Production (Boepd) **C:** Unit opex ($/Boe) **D:** Cash generated by operations ($ million)
E: Cash capital and abandonment expense ($ million) **F:** Net debt ($ million) **G:** Net 2P reserves (MMboe) **H:** Emissions (tCO_2e)

Risk

Fiscal risk and government take

Unanticipated changes in the regulatory or fiscal environment can affect the Group's ability to deliver its strategy/business plan and potentially impact revenue and future developments.

Potential impact
High (2020 High)

Likelihood
Medium (2020 Medium)

There has been no material change in the potential impact or likelihood, although the exit of the UK from the European Union has impacted the regulatory environment going forward, for example by affecting the cost of emissions trading certificates through the smaller UK emissions trading scheme.

Related KPIs – D, F

Appetite

The Group faces an uncertain macroeconomic and regulatory environment.

Due to the nature of such risks and their relative unpredictability, it must be tolerant of certain inherent exposure.

Mitigation

It is difficult for the Group to predict the timing or severity of such changes. However, through Offshore Energies UK and other industry associations, the Group engages with government and other appropriate organisations in order to keep abreast of expected and potential changes; the Group also takes an active role in making appropriate representations.

All business development or investment activities recognise potential tax implications and the Group maintains relevant internal tax expertise.

At an operational level, the Group has procedures to identify impending changes in relevant regulations to ensure legislative compliance.

Risk

International business

While the majority of the Group's activities and assets are in the UK, the international business is still material. The Group's international business is subject to the same risks as the UK business (e.g. HSEA, production and project execution); however, there are additional risks that the Group faces, including security of staff and assets, political, foreign exchange and currency control, taxation, legal and regulatory, cultural and language barriers and corruption.

Potential impact
Medium (2020 Medium)

Likelihood
Medium (2020 Medium)

There has been no material change in the impact or likelihood.

Related KPIs – A, B, D, E, F, G, H

Appetite

In light of its long-term growth strategy, the Group seeks to expand and diversify its production (geographically and in terms of quantum); as such, it is tolerant of assuming certain commercial risks which may accompany the opportunities it pursues.

However, such tolerance does not impair the Group's commitment to comply with legislative and regulatory requirements in the jurisdictions in which it operates. Opportunities should enhance net revenues and facilitate strengthening of the balance sheet.

Mitigation

Prior to entering a new country, EnQuest evaluates the host country to assess whether there is an adequate and established legal and political framework in place to protect and safeguard first its expatriate and local staff and, second, any investment within the country in question.

When evaluating international business risks, executive management reviews commercial, technical, ethical and other business risks, together with mitigation and how risks can be managed by the business on an ongoing basis.

EnQuest looks to employ suitably qualified host country staff and work with good-quality local advisers to ensure it complies with national legislation, business practices and cultural norms, while at all times ensuring that staff, contractors and advisers comply with EnQuest's business principles, including those on financial control, cost management, fraud and corruption.

Where appropriate, the risks may be mitigated by entering into a joint venture with partners with local knowledge and experience.

After country entry, EnQuest maintains a dialogue with local and regional government, particularly with those responsible for oil, energy and fiscal matters, and may obtain support from appropriate risk consultancies. When there is a significant change in the risk to people or assets within a country, the Group takes appropriate action to safeguard people and assets.

Environmental, Social and Governance continued

Risk

Joint venture partners

Failure by joint venture parties to fund their obligations.

Dependence on other parties where the Group is non-operator.

Potential impact
Medium (2020 Medium)

Likelihood
Low (2020 Low)

There has been no material change in the potential impact or likelihood.

Related KPIs – B, C, D, E, F, G

Appetite

The Group requires partners of high integrity. It recognises that it must accept a degree of exposure to the creditworthiness of partners and evaluates this aspect carefully as part of every investment decision.

Mitigation

The Group operates regular cash call and billing arrangements with its co-venturers to mitigate the Group's credit exposure at any one point in time and keeps in regular dialogue with each of these parties to ensure payment. Risk of default is mitigated by joint operating agreements allowing the Group to take over any defaulting party's share in an operated asset and rigorous and continual assessment of the financial situation of partners.

The Group generally prefers to be the operator. The Group maintains regular dialogue with its partners to ensure alignment of interests and to maximise the value of joint venture assets, taking account of the impact of any wider developments.

Risk

Reputation

The reputational and commercial exposures to a major offshore incident, including those related to an environmental incident, or non-compliance with applicable law and regulation and/or related climate change disclosures, are significant. Similarly, it is increasingly important EnQuest clearly articulates its approach to and benchmarks its performance against relevant and material ESG factors.

Potential impact
High (2020 High)

Likelihood
Low (2020 Low)

There has been no material change in the potential impact or likelihood.

Related KPIs – A, C, D, E, F, G, H

Appetite

The Group has no tolerance for conduct which may compromise its reputation for integrity and competence.

Mitigation

All activities are conducted in accordance with approved policies, standards and procedures. Interface agreements are agreed with all core contractors.

The Group requires adherence to its Code of Conduct and runs compliance programmes to provide assurance on conformity with relevant legal and ethical requirements.

The Group undertakes regular audit activities to provide assurance on compliance with established policies, standards and procedures.

All EnQuest personnel and contractors are required to pass an annual anti-bribery, corruption and anti-facilitation of tax evasion course.

All personnel are authorised to shut down production for safety-related reasons. As an example, the Group acted promptly in temporarily shutting down the Magnus platform when it was clear its flaring consent would be breached.

The Group has a clear ESG strategy, with a focus on health and safety (including asset integrity), emissions reductions, looking after its employees, positively impacting the communities in which the Group operates, upholding a robust RMF and acting with high standards of integrity. The Group is successfully implementing this strategy.

Key Performance Indicators ('KPIs'):
A: HSEA (LTI) **B:** Production (Boepd) **C:** Unit opex ($/Boe) **D:** Cash generated by operations ($ million)
E: Cash capital and abandonment expense ($ million) **F:** Net debt ($ million) **G:** Net 2P reserves (MMboe) **H:** Emissions (tCO_2e)

Risk

Human resources

The Group's success continues to be dependent upon its ability to attract and retain key personnel and develop organisational capability to deliver strategic growth. Industrial action across the sector, or the availability of competent people given the potential impacts of COVID-19, could also impact the operations of the Group.

Potential impact
Medium (2020 Medium)

Likelihood
Medium (2020 Medium)

There has been no material change to potential impact or likelihood.

Related KPIs – A, B, C, D, E, F, G, H

Appetite
As a low-cost, lean organisation, the Group relies on motivated and high-quality employees to achieve its targets and manage its risks.

The Group recognises that the benefits of a lean, flexible and diverse organisation requires creativity and agility to protect against the risk of skills shortages.

Mitigation
The Group has established an able and competent employee base to execute its principal activities. In addition, the Group seeks to maintain good relationships with its employees and contractor companies and regularly monitors the employment market to provide remuneration packages, bonus plans and long-term share-based incentive plans that incentivise performance and long-term commitment from employees to the Group.

The Group recognises that its people are critical to its success and so is continually evolving EnQuest's end-to-end people management processes, including recruitment and selection, career development and performance management. This ensures that EnQuest has the right person for the job and that appropriate training, support and development opportunities are provided, with feedback collated to drive continuous improvement whilst delivering SAFE Results. The culture of the Group is an area of ongoing focus and employee surveys and forums have been undertaken to understand employees' views on areas, including diversity and inclusion, in order to develop appropriate action plans.

EnQuest is considering the appropriate balance for its onshore teams between site, office and home working to promote strong productivity and business performance facilitated by an engaged workforce. The Group also maintains market-competitive contracts with key suppliers to support the execution of work where the necessary skills do not exist within the Group's employee base.

The Group recognises that there is a gender pay gap within the organisation but that there is no issue with equal pay for the same tasks. EnQuest also recognises that fewer young people may join the industry due to climate change-related factors. EnQuest aims to attract the best talent, recognising the value and importance of diversity.

To ensure improved diversity in the Group's leadership, various targets have been implemented during 2021. Further details on these are set out on page 40.

Executive and senior management retention, succession planning and development remain important priorities for the Board. It is a Board-level priority that executive and senior management possess the appropriate mix of skills and experience to realise the Group's strategy.

Following its introduction in 2019, the Group's global employee forum has continued to add to EnQuest's employee communication and engagement strategy, improving interaction between the workforce and the Board.

The Group continues to monitor the evolving situation with regard to the impacts of COVID-19 in conjunction with a variety of stakeholders, including industry and medical organisations. Appropriate actions will continue to be implemented in accordance with expert advice and the prevailing level of risk.

Business conduct

> "We are committed to acting with high standards of integrity in all that we do, conducting our business in accordance with our Values and in compliance with applicable law."

EnQuest has a Code of Conduct which it requires all personnel to be familiar with. The EnQuest Code of Conduct sets out the behaviour which the organisation expects of its Directors, managers and employees and of our suppliers, contractors, agents and partners. We are committed to conducting ourselves ethically, with integrity and to complying with all applicable legal requirements; we routinely remind those who work with or for us of our obligations in this respect.

Our employees and everyone we work with help to create and support our reputation, which in turn underpins our ability to succeed. This code addresses our requirements in a number of areas, including the importance of health and safety and environmental protection, compliance with applicable law, anti-corruption, anti-facilitation of tax evasion, anti-slavery, addressing conflicts of interest, ensuring equal opportunities, combatting bullying and harassment and the protection of privacy.

The Group's induction procedures cover the Code of Conduct and the Group runs both ad hoc and scheduled periodic training for personnel to refresh their familiarity with relevant aspects of the Code of Conduct and specific policies and procedures which support it (such as the Group's anti-corruption programme).

As part of the Group's Risk Management Framework, the Board is supplied annually with an 'assurance map' that provides an insight into the status of the main sources of controls and assurance in respect of the Group's key risk areas (see pages 42 to 53 for further information on how the Group manages its key risk areas). Whilst this provides some formal assurance as to how the Group reinforces its requirements in respect of business conduct, the Board also recognises the importance of promoting the right culture within the Group and this remains an area of focus for the Group.

The Code of Conduct also includes details of the independent reporting line through which any concerns related to the Group's practices, or any suspected breaches of the Group's policies and procedures, can be raised anonymously and encourages personnel to report any concerns to the legal department and/or the General Counsel. Where concerns are raised (whether through the reporting line or otherwise), the General Counsel, reporting for this purpose to the Chairman of the Audit Committee, is required to look into the relevant concern, investigate and take appropriate action. Concerns raised in relation to potential conflicts of interest and safety practices, as well as more routine interfaces with regulatory authorities, are also reported to the Board and addressed appropriately.

The Code of Conduct includes a confirmation of EnQuest's commitments to adhere to applicable tax laws (including the corporate offence of failure to prevent the criminal facilitation of tax evasion) as well as the Group's stance against slavery and human trafficking. The Group has zero tolerance for such practices and expects the same of all with whom it has business dealings; for example, in relation to procurement, by requiring suppliers to confirm their commitment to anti-slavery before being qualified to supply the Group. The Group has supplemented its procedures to provide further assurance that it is able to identify and manage human rights risks in its supply chain. EnQuest publishes its modern slavery statement on its website at www.enquest.com, under the Environmental, Social and Governance section, where further detail on EnQuest's corporate responsibility policies and activities, including the area of business conduct, is also available.

Task Force on Climate-related Financial Disclosures

The Group welcomes initiatives for increased governance and transparency in general, and specifically in relation to climate change. The Board recognises the societal and investor focus on climate change, and the desire to understand potential impacts on the oil and gas industry through improved disclosure, such as those proposed by the Task Force on Climate-related Financial Disclosures ('TCFD'). EnQuest PLC has complied with the requirements of LR 9.8.6R by including climate-related financial disclosures consistent with the TCFD recommendations except for in relation to the disclosure of Scope 3 emissions within the metrics and targets section. Scope 3 emissions are not yet measured given the uncertainty and impracticality in accurately measuring such emissions throughout the value chain. The Group will continue to assess how it may measure Scope 3 emissions for the next phase of TCFD implementation, but, until such time, will remain non-compliant in this respect.

TCFD framework	EnQuest disclosures	Reference
Governance • Describe the Board's oversight of climate-related risks and opportunities. • Describe management's role in assessing and managing climate-related risks and opportunities.	EnQuest's purpose is to provide creative solutions through the energy transition. The Board is focused on a strategy which recognises that hydrocarbons will remain a key element of the global energy mix for many years and through which the Group can pursue a business model which helps to fulfil energy demand as part of the transition to a sustainable lower-carbon world while reducing carbon emissions from its own business where practicable and ensuring a robust risk management framework ('RMF') is in place. As set out in the risk management section below, climate change is recognised as a standalone risk area in its own right and climate-related issues feature within a number of the Group's principal risks and are prioritised and managed accordingly. Reflecting the importance the Group places on evolving climate change-related matters, the RMF process is overseen by the Safety, Climate and Risk Committee, a dedicated sub-Committee of the Board whose terms of reference enable it to support the Board with increased oversight of decarbonisation, including monitoring progress towards the Group's three-year emission reduction target and climate change-related risk matters. The Board and management keep appraised of the evolving risk and opportunity landscape and its potential impacts on the Company's business. In doing so, they consult as appropriate with the Group's advisers and appropriate third-party institutions, including fund managers, investors and industry associations such as Offshore Energies UK. During 2021, a discrete Group-wide emissions reduction target was approved (see the Metrics and targets section below). In support of this, the Group has an energy management system governance document setting out how it approaches the measurement and reporting of emissions. It also sets out how the Group will assess and select emission reduction opportunities, with a working group dedicated to the identification and implementation of economically viable emissions savings opportunities across the Group's portfolio of assets. This group reports to the Executive Committee and the Safety, Climate and Risk Committee on a regular basis.	Pages 42 to 53, 69 to 93, and 97 to 98

Task Force on Climate-related Financial Disclosures continued

TCFD framework	EnQuest disclosures	Reference
Strategy • Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. • Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. • Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	EnQuest's business model is distinct from companies that have a material exploration component to their business and it is, therefore, less exposed to the much longer duration of exploration, discovery, development and production. EnQuest primarily acquires mature and underdeveloped assets from other industry participants and drives performance improvements, including emission reductions, through short-cycle, quick payback investments. EnQuest's UK Decommissioning directorate is responsible for the safe and efficient execution of the decommissioning work programmes and is committed to delivering them in a responsible manner, which also includes minimising emissions alongside maximising the recycle and reuse of recovered materials. EnQuest considers within one year to be short term, one to three years to be medium term (both of which are in line with the Group's assessment of going concern and viability, respectively) and the longer term to be beyond three years. The Group continues to assess a number of climate-related risks and opportunities. As majors and other operators continue to shift their focus from mature basins such as the North Sea and Malaysia, there will be further opportunities for the Company to access additional resources. The timing of such events is uncertain. In 2021, the Group established an Infrastructure and New Energy business with responsibility for delivering the Group's short and medium-term emission reduction objectives and advancing longer-term renewable energy and decarbonisation opportunities. Other financial risks of climate change considered include access to, and cost of, capital, insurance and decommissioning surety bonds as investors' and insurers' appetite for exposure to the oil and gas sector reduces across all timeframes. In addition, the cost of emissions trading allowances may trend higher over time. With respect to physical risks of climate change to EnQuest's business, the Group is aware of potential longer-term risks associated with rising sea levels, tidal impacts and extreme weather events which could cause damage and destruction to its ageing offshore assets, particularly as these events become more regular and extreme in nature, but considers these risks to be low given the Group's focus on asset integrity and the expected remaining life of these mature assets. The Group considers as part of its strategic, business planning and risk processes how a number of macroeconomic themes may influence its principal risks. The most material risk factor to EnQuest's business model is the oil price, and climate change is one of many potential influencing factors on the oil price. EnQuest's planning and investment decision processes cater for low oil price scenarios and include a carbon cost associated with forecast emissions. Where new assets are acquired, there will be a clear emissions reduction plan for any such asset for which EnQuest assumes operatorship, relative to the carbon footprint in the hands of the seller, and the Group factors in an associated carbon price into the acquisition economics, even in markets where no carbon trading or pricing mechanism exists. In the short to medium term, EnQuest reviews the impact of different oil prices in its going concern and viability statements. EnQuest is also monitoring progress against the UK NSTD goals which contribute to the UK Government's target of net zero by 2050. The Group has measured the resilience of its existing portfolio and future development plans using oil price and cost of emissions assumptions based on the International Energy Agency's Sustainable Development ('SDS'), and Net Zero Emissions ('NZE') Scenarios. The Group continues to generate positive free cash flow when using assumptions based on the SDS, although cash flow becomes negative when using assumptions based on the NZE. However, should oil price and emission costs prevail similar to those assumed under the NZE, EnQuest's business model will enable it to adapt to a rapidly changing external environment as its short-cycle investments reduce the risk of 'stranded assets'.	Pages 02 to 23, 34 to 35, and 42 to 53

TCFD framework	EnQuest disclosures	Reference
Risk management • Describe the organisation's processes for identifying and assessing climate-related risks. • Describe the organisation's processes for managing climate-related risks. • Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	The Group has robust risk management and business planning processes that are overseen by the Board, the Safety, Climate and Risk Committee and the Executive Committee in order to identify, assess and manage climate-related risks. The risk landscape inputs and considerations are outlined on page 45 and cover long-term macro factors and near-term and emerging risks. The Group's RMF is embedded in all levels of the organisation with asset, regional and functional risk registers aggregating to an enterprise risk register identifying relevant threats and how they are mitigated, whilst the adequacy and efficacy of controls in place are themselves also monitored. This integration enables the Group to quickly identify, escalate and appropriately manage emerging risks, with a quarterly RMF report reviewed by leadership teams and presented to the Safety, Climate and Risk Committee. The Safety, Climate and Risk Committee also provides a forum for the Board to review selected individual risk areas in greater depth. Climate change is categorised as a standalone risk area within the Group's 'Risk Library' allowing the application of EnQuest's RMF to underpin its approach in this important area. For each risk area, the Safety, Climate and Risk Committee reviews 'Risk Bowties' that identify risk causes and impacts and maps these to preventative and containment controls used to manage the risks to acceptable levels. Climate change-related issues are also considered within the context and review of a number of other risk areas.	Pages 42 to 53 and 97 to 98
Metrics and targets • Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. • Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ('GHG') emissions, and the related risks. • Describe the targets used by the organisation to manage climate-related risks and opportunities, and performance against targets.	At EnQuest, the financial or strategic impact of a risk is assessed and measured based on the potential net present value ('NPV') negative impact of the particular risk. Specifically, a substantive financial or strategic impact would be defined as a risk with a potential impact of greater than £50 million NPV, on a post mitigation basis. EnQuest has also defined criteria for screening and ranking emissions reduction opportunities, including: the potential contribution to the Group's targets; economic indicators; the chance of success; time to implement; and any risks to the Group's production. EnQuest has reported on all of the emission sources within its operational control, as required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. This information can be found in the Directors report. In the UK, EnQuest publishes its annual Environmental Statement in line with the regulatory requirement under the OSPAR recommendation 2003/5. These statements, which can be found in the Environmental, Social and Governance section on the Group's website, www.enquest.com, are an open and transparent representation of the environmental performance across EnQuest's UK operations. The Group recognises that the ability to reduce carbon emissions is constrained by the original design of its later-life assets where the main sources of atmospheric emissions come from combustion associated with power generation and flaring. The Board's goal is to be as ambitious as it can in setting decarbonisation targets, whilst balancing the economic realities of operating late-life assets. As such, in 2021 the Board approved a targeted 10% reduction in EnQuest's absolute Scope 1 and 2 emissions from its existing portfolio over three years, from a year-end 2020 baseline, with the achievement of this target linked to reward. In addition, the Group is committed to playing its part in delivering on the UK Government's North Sea Transition Deal emission reduction targets.	Pages 03, 05, 07, 10, 12, 14, 23, 33 to 35, and 103 to 104

Stefan Ricketts
Company Secretary

The Strategic report was approved by the Board and signed on its behalf by the Company Secretary on 23 March 2022.