Environmental, Social and Governance

An accountable and responsible approach

For many years, EnQuest has had a clear, Board-approved approach to corporate responsibility, focusing on five key areas: health and safety; environment; people; communities; and business conduct. Similarly, the Group has a well-established governance framework that complies with the UK corporate governance code.

Since its inception, EnQuest has prioritised SAFE Results, with no harm to people and respect for the environment.

A changing world

In recent years, Environmental, Social and Governance ('ESG') factors have continued to grow in importance for companies, reflecting the renewed focus on company purpose, widespread concerns about climate change and the increasing importance of stakeholder considerations, combined with a renewed emphasis on long-term value enhancement.

As such, the Group undertook a review of the extensive ESG landscape, in order to identify those factors which are relevant and applicable to its purpose and business model, ensuring its approach was clear, appropriate and easily understood by its stakeholders.

As an oil and gas company, EnQuest recognises the need for a social licence to operate. As such, health and safety, climate change and emissions reductions are clearly areas of focus for the Company. EnQuest also recognises the importance of a diverse and inclusive culture in driving Company performance.

As such, the Group concluded its 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.



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.

10%

Targeted Scope 1 and 2 emissions reduction by end 2023

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 target linked to reward
- Incorporate carbon costs into investment evaluations

Social



- SAFE Results with no harm to our people and respect for the environment remains a key priority
- Recognising 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

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
- ESG performance is linked to reward

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 04.

Environment

- 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 has already reduced its absolute Scope 1 and 2 CO₂ equivalent emissions by around 26% since 2018 and aims to reduce absolute Scope 1 and 2 CO₂ equivalent emissions from its existing operations by 10% over the period 2021 to 2023
- The Group continues to evolve its disclosures in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures.
 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

Our people

- We are committed to ensuring that EnQuest is a great place to work
- Employee engagement and wellbeing were key focus areas throughout 2020 as the Group adjusted its ways of working in response to the COVID-19 pandemic and underwent a transformation programme. Training was provided to the Group's UK management and supervisory team to help them support their teams through this process
- EnQuest is committed to improving workforce diversity and inclusion ('D&I') and there was a renewed examination of the Company's approach during 2020, with revisions to the Group's existing D&I policy and the introduction of a Company-wide D&I strategy

Community

- 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
- 2020 saw the Group provide additional support to local organisations in the UK in response to the COVID-19 pandemic
- The Group also supported a diverse range of charities and continued to be a key sponsor of a number of important local community programmes on Shetland

- In Malaysia, our teams continue to support an active programme of local community initiatives and charities alongside ongoing sponsorship programmes for internships and graduates
- In addition, EnQuest has partnered with the Institute of Chemical Engineers to offer accreditation of the Universiti Kebangsaan Malaysia Chemical and Process Engineering Programme

Business conduct

- 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



A responsible operator

Focused on reducing absolute Scope 1 and 2 emissions across our operations.

A strong culture and management framework

Environmental protection has been a core feature of EnQuest's business model since its inception, with the Group's priority being SAFE Results with no harm to people and respect for the environment. As an oil and gas company, we are focused on safely improving the operating, financial and environmental performance of mature and late-life assets. Climate change and emissions reductions are clear areas of focus for the Company. EnQuest welcomes the drive for increased governance and transparency in relation to climate change, continuing voluntarily to evolve its disclosures in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (see pages 61 to 63) and outlining its assessment of associated potential risks to the execution of its strategy within the risks and uncertainties section of this report (see page 46).

EnQuest's Environmental Management System ('EMS') ensures that activities are conducted in such a way that it manages and mitigates its impact on the environment. The EMS meets the requirements of 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 our website, www.enquest.com). These statements are an open and transparent representation of EnQuest's environmental performance across all its offshore operations. Environmental management and reporting in Malaysia to PETRONAS Malaysian Petroleum Management is addressed as part of the EnQuest Malaysia Management System and in line with ISO 14001.

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

Lowering 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's aim is to benefit all its stakeholders as a responsible operator of oil and gas assets through the expected multi-decade energy transition. Its aim is to extend safely production lives, enhance cash flow and reduce Scope 1 and Scope 2 emissions on its assets as reliance on hydrocarbons is reduced, thereby contributing towards the achievement of national emissions targets. The Group's focus on short-cycle investments and proven capabilities in improving operational performance, infill drilling and sub-sea tie-backs allows it to calibrate its investments to match the requirements of the market





EnQuest aims to extend production lives, enhance cash flow and reduce Scope 1 and Scope 2 emissions.

Salman Malik

Vice-President Strategy, M&A and Corporate Finance

Environmental



Clear emission reduction targets linked to reward

Reduction in Scope 1 and 2 emissions

26%

vs 2018

Targeted Scope 1 and 2 emissions reduction 2021–2023

10%

related to oil and gas consumption, minimising the risk of stranded assets.

To balance all stakeholder interests, EnQuest believes a measured approach to absolute Scope 1 and 2 emissions reductions involving credible targets and the pursuit of economic emission reduction opportunities is appropriate.

Significant reductions achieved

The Group has already reduced its absolute Scope 1 and 2 CO₂ equivalent emissions by 26% since 2018, primarily through the Group's decisions to cease production at its Heather/Broom, Thistle/Deveron and Alma/Galia assets.

In addition to reducing upstream-related emissions, the Group has also implemented an innovative economic emissions avoidance opportunity at Kraken by optimising sales of Kraken cargoes directly to the shipping fuel market. This initiative has two environmental benefits: it avoids emissions related to refining; and it also helps reduce sulphur emissions in accordance with the IMO 2020 regulations. The avoidance of emissions related to Kraken's crude is significant - with refining emissions for a typical North Sea crude estimated to be c.32 – 36kgCO₂e/bbl^{1,2} As such, emissions relating to Kraken oil by the time it reaches its end user compares favourably on a fully refined basis to even high-performing North Sea fields³.

A clear target for the existing portfolio linked to reward

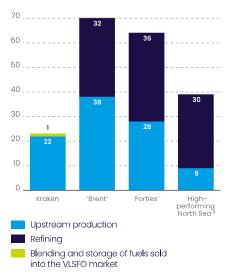
The Group aims to reduce absolute Scope 1 and 2 CO₂ equivalent emissions from its existing operations by 10% over the period 2021 to 2023. This target has been included as a key performance metric in the Group's long-term incentive scheme for Executive Directors and applicable employees. To help achieve this target, a number of emission reduction opportunities have been identified, such as installing generator turbine water wash facilities and the use of high-efficiency particulate air filters on Magnus. However, these projects alone will not enable the Group to meet its target. It is recognised that improved environmental performance is a continuous process and as such, there are working groups dedicated to the identification and implementation of economically viable emissions savings across the Group's portfolio of assets.

Looking to the future

As majors and other operators continue to shift their focus from mature basins in a number of geographies, it is expected there will be further opportunities for the Company to access additional oil and gas resources. However, time and careful consideration will be taken to find the right opportunities, assessing them against a number of criteria, including carbon intensity and absolute emission levels.

Integrated emissions

kgCO₂e/bb





The Group has developed robust emission reduction targets and remains committed to playing a unique role within the energy transition.

Salman Malik

Vice President Strategy, M&A and Corporate Finance

There will be a clear emission 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 will factor in an appropriate associated carbon price into the acquisition economics, even in markets where no carbon trading or pricing mechanism exists. EnQuest is committed to targeting assets where it believes it has an advantage in reducing emissions and reducing costs. 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.

This positive contribution extends into 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 necessarily take place over an extended period of time 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, which includes minimising emissions and maximising the recycle and reuse of recovered materials. The UK Decommissioning directorate continues to work with the supply chain, industry participants and decommissioning workgroups to identify creative ways, such as alternative power

generation options, in which emissions associated with decommissioning activities can be kept to a minimum.

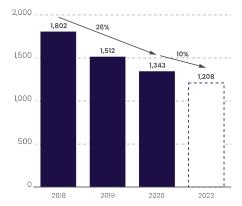
Other opportunities continue to be explored, with EnQuest being an active participant in the Energy Hub, an initiative being developed by the Shetland Islands Council and the Oil and Gas Technology Centre ('OGTC'), which aims to deliver a clean, sustainable energy future for Shetland and the UK. Additional areas of focus are looking at whether Kraken oil can be used as an alternative energy source and SVT power supply options. In Malaysia the Group continues to voluntarily limit emissions below the regulatory limit.

The Group continues to engage with entities such as Oil and Gas UK, the OGTC and the Oil and Gas Authority, to understand better how it can contribute further to the industry approach to net-zero, whilst remaining aligned with EnQuest's strategy.

Atmospheric emissions

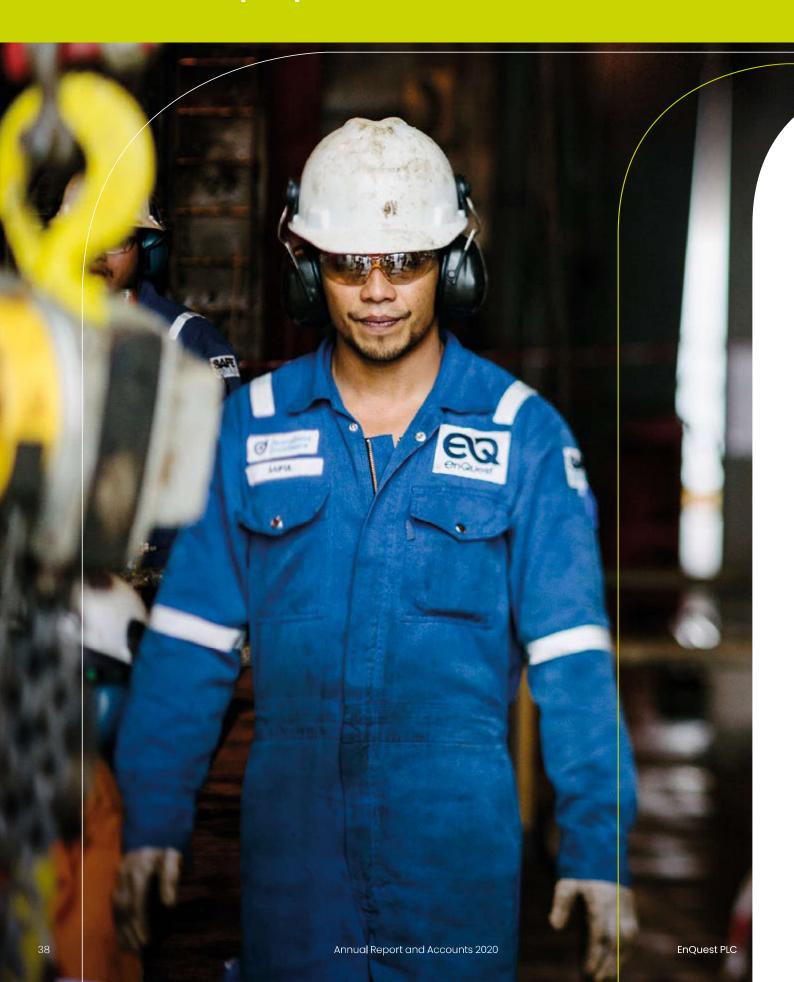
The Group seeks to use energy efficiently within its facilities for extracting, processing and exporting oil and gas and continually looks to identify opportunities that may reduce emissions from its operations.

Scope 1 and 2 emissions



- kgCO2e/bbl = kilograms of CO2 equivalent per produced barrel
 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 Source: EnQuest analysis of UK North Sea assets 2019
- performance ktCO₂e = thousand tonnes CO₂ equivalent

Our people and communities



Social

Our priority is the safety of our people, our most important asset. We have a strong set of Values that underpin the way in which we work. We embrace diversity as we strive to be a truly inclusive organisation.

Health and safety

The Group's licence to operate is underpinned by its safety performance. As such, the Group's priority is to deliver SAFE Results without compromising standards in order 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 and in 2020, an independent safety review was undertaken to analyse the safety culture within EnQuest, with the report providing positive feedback on the progress of cultural development, outlining a strong commitment to safety throughout EnQuest, with well-motivated and informed people supported by robust processes.

The Group continues to learn from both leading and lagging data through the development of a learning culture, building further resilience into its HSEA systems and processes. Throughout a period of uncertainty due to COVID-19 and a Group transformation programme that involved a reorganisation of the UK North Sea business into three directorates and a reduction in employee and contractor roles of c.40% following the decisions to cease production at the Heather and Thistle Platforms, the focus has been on: 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); and ensuring that the collective actions of the workforce contribute to delivering SAFE Results, adjusting actions and behaviours accordingly to suit the situation. A number of activities have further enhanced the EnQuest health and safety culture, namely:

- Implementing sustained assurance arrangements for the reorganisation, with a focus on the prevention of major accident hazards ('MAH') via a process of planned implementation and post-change monitoring, in accordance with regulatory good practice;
- Positively contributed to the industry organisation Oil and Gas UK ('OGUK') in support of the industry pandemic steering group, including the chairing of two workgroups with a focus on the prevention of hydrocarbon releases across the industry;
- Exceeded the target for site safety-leadership visits for both physical and virtual engagement.
 Leadership engagement continued to be an important part of the Group's safety programme, particularly given the uncertainty and potential impact COVID-19 and the Group's transformation could have had on HSEA performance;
- Received the Petronas Bronze Award for Health, Safety, Security and Environment ('HSSE') performance in Malaysia based upon sustained HSSE performance from both a leading and lagging indicator perspective; and
- Alignment across the Group of HSEA key performance indicators and continual improvement activities driving a consistent and measurable approach to HSEA performance, supported by a number of sharing and learning events held between Malaysia and the UK.

During 2020, the Group highlighted the emphasis it places on maintaining a strong safety culture through the presentation of two SAFE Results 'Values awards' at its Global Town Hall event.



SAFE Results is a key priority embedded within our culture and fundamental in delivering on our business objectives.

Mark Wilson
HSFA Director

Our people and communities continued



Health

The Group's approach to COVID-19 was developed upon the principles of safety and welfare of people and security of supply. A series of control arrangements were developed during 2020, which included pre-mobilisation health screening and testing for all those mobilising to an EnQuest site, with proven mitigation measures in place in the event of a suspected case. As a result, a high level of resilience was witnessed, which allowed for the continuation of safe operations. See pages 08 to 09 for further information.

The wellbeing of the EnQuest workforce is an ongoing and key focus, with a number of initiatives successfully delivered, including: wellbeing communications from the wellbeing committee in the UK; a step challenge to focus on the physical health aspects of wellbeing; mental health awareness training; use of a third-party application to provide individual mental and physical health awareness; and virtual fitness training sessions via a dedicated coach.

Process safety

There has been a continued emphasis on reducing risk across assets in relation to the management of safety-critical repair orders. Positive progress has been made on leading metrics such as onsite leadership engagement, both physically and virtually, with particular attention paid to process safety performance in terms of preventing hydrocarbon releases.

- A proactive approach to HSEA systems has demonstrated the effectiveness of streamlining the investigation process and the importance of developing actions to prevent recurrence of HSE events;
- For those assets in a decommissioning phase and not processing hydrocarbons, asset integrity is being assured to deliver safe decommissioning activities whilst the management of safety-critical repair orders is being tailored to reflect the specific circumstances of each asset;
- In both Malaysia and the UK, regulator interaction continued in an open and transparent manner to ensure that issues requiring attention have been raised in an approach that drives collaboration; and

 Reportable hydrocarbon releases across UK operated assets decreased from 11 in 2019 to four in 2020, with those in Malaysia decreasing from five in 2019 to two in 2020.

In Malaysia, a fire on Seligi Alpha was categorised as a tier one major event by the regulators. A full investigation, supported by independent external specialists, was instigated to understand the root cause of the riser detachment, identifying an internal micro crack which in combination with fatigue due to cyclic loading, caused premature failure. This is a newly discovered cause and EnQuest is working with the Malaysian regulatory body, Petronas MPM, to ensure the risk is better understood and to develop new inspection protocols for risers. At the Sullom Voe Terminal, we have witnessed a number of issues around pipeline integrity and resultant leaks since taking over operatorship. These incidents, combined with the small fire in one of the compressor modules at Heather in 2019, led to a Company-wide asset integrity review, supported by independent parties, which will review in detail the integrity management system across the Company and at an asset level to identify strengths and opportunities to improve management of major accident hazards from a people, process and plant perspective.

Personal safety

Despite the challenges and uncertainties of 2020, combined with the age of EnQuest's assets, the Group's Lost Time Incident ('LTI') performance improved, achieving a number of notable milestones across its asset base.

- Group LTI frequency¹ of 0.22: Malaysia recorded a frequency rate of zero and the North Sea of 0.35 against a UKCS benchmark LTI frequency of 1.28; and
- Our teams at Kittiwake and PM8/Seligi recorded 15 and ten years LTI free, respectively, while the Thistle, Heather, Alma/Galia, the Dons assets and Sullom Voe Terminal in the UK North Sea, all recorded a LTI-free year.
- 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)



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 Company will help strengthen us, adapt and grow.

Janice Mair

Director People, Culture & Diversity

Our people

A connected workforce

Effective employee engagement remains a key priority for EnQuest. As the global COVID-19 pandemic comprehensively changed the way we worked and interacted with our colleagues, our onshore workforce moved online and we adapted our structured programme of engagement, including town halls, business briefings, village halls and other employee-led groups, such as the Global Employee Forum, to an exclusively virtual environment. Our workforce across the Company adapted well to these changes, proving we could be effective and productive through these new ways of working. We continued to use traditional electronic communications alongside our virtual engagements to ensure important information, such as the Group's evolving operational response and employee guidance on maintaining safe operations through the pandemic, was shared throughout the organisation (see pages 08 to 09 for our response to the COVID-19 pandemic). We introduced our own internal informal engagement channel, Yammer, enabling our workforce to create dedicated spaces to share best practice, recognise important milestones and individual contributions to business delivery, alongside promoting our enhanced employee wellbeing programmes. 2020 also saw further recognition of our employees' achievements, with the introduction of our first Global Recognition Awards, two of which focused on delivery of SAFE Results and two for demonstrating other Company Values.

A Group-wide employee survey with participation from over 70% of employees concluded in early 2020. The results were communicated to our teams during the first quarter of 2020, prompting a number of action plans to be developed. Although some of these plans were necessarily placed on hold, others were fully realised in the areas of remote working and employee wellbeing.

Between April and August, the Group undertook an extensive business transformation programme in response to the changing macro-environment (see pages 16 to 17 for more information). In the UK, a formal collective consultation process, involving employees and trade union representatives, was undertaken across the sites given the scale of the change. Dubai and Malaysia also saw a slight reduction in roles, alongside revisions to offshore working rotations in Malaysia. While changes such as these are difficult for all involved, positive feedback was received, highlighting the openness and transparency of this collaborative process.

During the third quarter, we revisited our Company purpose, incorporating ideas, reviews and challenges from across the organisation (see page 06).

Following the conclusion of the transformation programme in September, and in an effort to continue to build on the progress made from the earlier survey, a short 'pulse' survey was carried out to understand our people's views on the key areas of: support through organisational change; wellbeing; diversity and inclusion; recognition; and Company vision and strategy. Almost 80% of our employees participated in this survey and told us they feel their opinions are valued and respected, and they can be themselves at work. We recognise, however, that we still have work to do to embed the revised Company purpose and improve employee recognition and activities in these areas. The Group has undertaken a further comprehensive Group-wide employee survey in the first quarter of 2021. The results will be analysed and presented to the Board, and cascaded . through the organisation with action plans to be developed focusing on driving improvement in the highlighted areas, and sharing good practice across the business.

Our people and communities continued

Voice of the workforce – the EnQuest Global Employee Forum

The EnQuest global employee forum, chaired by two Non-Executive Directors, met four times throughout 2020. Despite the challenges presented by COVID-19 and Transformation 2020, areas discussed and reviewed during the year included: flexible working arrangements; employee communications and recognition; women in leadership; mentoring programmes; environmental responsibility; and diversity.

Following feedback from employees, the Forum, in collaboration with the business, was instrumental in the development of a Manager Expectations document. The purpose of this document is to demonstrate EnQuest's commitment in supporting and encouraging employees to perform at their best. It sets out a consistent set of practical leadership principles for managers to demonstrate to achieve SAFE Results. This has been rolled out globally, with managers' and supervisors' performance being measured against these expectations.

A focus on wellbeing

The mental and physical welfare of all employees has been, and continues to be, a major focus for the business. Recognising the impact the business transformation had on our people, particularly at a time of a global pandemic, it was important to offer additional support to employees. We provided mental health and wellbeing awareness training, the provision of access to virtual GP services via our healthcare provider and a third-party digital platform offering tools and techniques to support wellbeing. Outplacement support was also available to those who left the business.

Using our internal social media channel Yammer as a major tool, a wide variety of events, challenges and competitions were offered throughout the year which all helped to bring people together in new ways.

These included:

- Team EnQuest Corporate Games Challenge (January and February 2020 only)
- · Mental Health Awareness week
- Ongoing support and provision of resources for colleagues and their families relating to COVID-19 and the transformation process
- Blogs supporting health and wellbeing, as well as the challenges of working from home

- Practical support and equipment in setting up 'home offices', including ergonomic awareness, one-to-one health and fitness coaching, live virtual fitness classes and a series of talks sponsored by our fitness provider on topics ranging from nutrition to spinal care
- Promoting the mental health app and Employee Assistance Programme
- Promotion of a cycle-to-work scheme in the UK
- 'Step Count' Challenge in October and November to support mental and physical wellbeing during the winter months
- Participation in activities for the charity 'Movember'
- Ngopi coffee and tea virtual get-togethers with colleagues in Malaysia to support wellbeing

Continued growth and learning

Ahead of the transformation programme, all UK managers and supervisors were offered specific training on 'Leading through change' and 'Collective consultation awareness' to help them support their teams and ensure the programme was delivered professionally and consistently across the business. In addition, all managers and employees were invited to attend a virtual wellbeing awareness session to highlight the importance of taking care of their own wellbeing and supporting colleagues through this challenging period and thereafter.

As part of the launch of the new Company purpose, we recognised the importance of engaging with our managers and supervisors to embed this concept into the organisation. Virtual 'Purposeful leadership' development training was undertaken, providing all managers and supervisors with a 'tool-kit' to enhance their communication skills, and motivate and inspire their teams, and the wider business, in recognising how their role connects to our purpose and to continue delivering against it.

We have also continued our programme of job specific training throughout 2020 to maintain levels of skills and competence, particularly in relation to safety-critical roles.

To ensure the new UK structure is fit for purpose, a capability review was conducted in the final quarter of 2020 to identify and address any skills gaps and identify key talent to aid future succession planning. The output from this review will be a key driver for learning and development during 2021.

Diversity and inclusion



We are fully committed to improving workforce diversity and inclusion ('D&I'), and there was a renewed examination of the Company's approach during this period of intense change. In addition to including diversity of skills, experience, nationality and gender in its appointments to the Board and within the executive and senior management teams, we recently updated our D&I policy and developed a Company-wide D&I strategy. This strategy aims to build awareness by providing education and strengthening understanding throughout the workforce, ensuring EnQuest's working environment is inclusive and celebrates diversity as a positive contributor to performance.

Throughout 2020 and into the first quarter of 2021, we have continued to support International Women in Engineering Day and the UK's AXIS Network. We have also established an employee-led global community – the EnQlusion Network – to explore and promote a greater sense of connectedness and celebration of difference at EnQuest. The EnQlusion Network has already hosted a talk from the Association for Black and Minority Ethnic Engineers, of which EnQuest is a member, and continues to work on ways to develop a more diverse and inclusive workplace.

During 2021, enhanced diversity balance will continue to be a core theme. We are introducing Company-wide 'Conscious inclusion' training for managers and supervisors.

With D&I central to our ways of working, we are challenging our recruitment, employment and training policies and how they attract, retain and develop a wide range of talent in our organisation.

46%

Reduction in the mean gender pay gap since 2017

The goals are to establish improved representation and, importantly, demonstrate that viable strategies have been developed to achieve far greater diversity balance in EnQuest in the future.

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 Company 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 Company to provide support and prevent unfavourable treatment.

Gender pay gap

We have seen improvements overall in our gender pay gap statistics in the previous reporting period, building on a narrowing of gaps since reporting commenced in 2017.

In the latest period there has been a slight reduction in the gap related to the average rate of total pay for women, down to c.21% (2019: c.23%), with a more significant reduction in the median total pay gap, which has been reduced to c.11% (2019: c.17%). This means that since 2017, the average pay gap has approximately halved, with the median pay gap reduced by around two-thirds.

The proportion of male and female employees awarded a bonus in the period is broadly level, and the focus will be to retain this parity. These improvements reflect ongoing efforts the Company has made to redress the imbalance in its gender pay gap figures.

We are committed to further narrowing the gender pay gap and continuing to provide equal pay for equal jobs. This will be achieved through a continued focus on D&I in all aspects of the business. In addition to a fair and balanced recruitment and promotion process and regular assessment of skills, appropriate action will be taken on the feedback received from the employee forum and the global employee engagement survey results, alongside formalising the diversity and inclusion strategy with a view to setting targets that will influence compensation in future years.

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, we ensure our processes are open and transparent, providing equal opportunities for all. EnQuest will continue with this approach, recruiting individuals on merit and their suitability for the role.

Our people and communities continued



Our communities

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In the UK, EnQuest supported local communities through charitable donations, both financial and in kind, throughout the year including:

- Helping frontline care workers during the COVID-19 crisis by redeploying excess personal protective equipment from offshore to Shetland NHS and a local care home in Aberdeen
- Redeploying surplus-to-requirements frozen meals to an Aberdeenshire food bank to help those most in need
- Our UK offshore and Shetland HSE fundraising initiative raising a combined £103,000 in 2020, with a range of charities supported by this initiative including Lupus UK, Friends of the Neonatal Unit at Archie's Foundation and the Juvenile Diabetes Research Foundation International. In Shetland, staff and contractors at our Sullom Voe Terminal ('SVT') continued to support local charities with the funds raised in 2020 being donated to four charities including the Fair Isle Bird Observatory and Chillax, a Shetland-based youth group which provides support for mental health
- Raising £22,000 on behalf of the SVT owners through a separate charitable incentive scheme which triggers a donation pledged to local charities and worthy causes nominated by staff for every 30-day period of strong HSE performance at the terminal. The range of charities included the Royal National Lifeboat Institute, the Shetland Food Bank and Shetland Samaritans
- Providing practical and financial support to food banks and local charities at Christmas in Scotland through donations and sponsorship of Christmas hampers, presents, meals and online giving trees
- Fundraising for the men's physical and mental health charity 'Movember', with our people collecting donations totalling almost £16,000
- Donating two trailer-loaded firefighting monitors to the Scottish Fire and Rescue Service following a serious fire at a local Shetland hotel in July 2020, an incident at which off-duty EnQuest firefighters offered their services voluntarily and used similar equipment to help bring the blaze under control

- Supporting the 32nd consecutive year of awards made by 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:
 - 13 educational awards each worth £2,000 were made for the academic year 2020/2021
 - Six of these recipients of scholarships in 2019/2020 are encouraged to apply for a second year if they are continuing to progress their education
 - One of the successful applicants this year will attend the terminal for paid summer work experience in 2021 under a special Sullom Voe Partnership Award

Malaysia

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

- Raising a total of £7,500 in charitable donations primarily through two initiatives: the 'matching funds' charity drive which, with funds provided by the Company, raised £6,400; and redeploying funds of £1,100 that would have been spent on hosting a physical town hall which unavoidably became a virtual event. The funds raised were given to the Rumah Titian Kaseh charity, a temporary settlement for vulnerable communities, the Good Samaritan Home in Klang, Selangor as well as the Kechara Soup Kitchen society, a non-religious, nonpartisan, non-governmental organisation that distributes food, and basic medical aid and offers counselling to the homeless and urban poor of Malaysia
- 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

- Fully sponsoring the extension of the canteen building for Sungai Pergam Orang Asli Primary School. This provides a multi-purpose hall for all school events and programmes
- Selecting 11 local university students for internship placements in a variety of disciplines, ranging from Operations to Finance and HR, as part of our graduate recruitment process
- Partnering with the Institute of Chemical Engineers (IChemE') to offer accreditation of the Universiti Kebangsaan Malaysia ('UKM') Chemical and Process Engineering Programme from 2020 until 2024
- Doubling the awards made in 2020 by EnQuest and The Amjad and Suha Bseisu Foundation from two to four undergraduate students in chemical, mechanical and petroleum engineering from University Malaya ('UM') and Universiti Teknologi Malaysia ('UTM')

Company-wide fundraising £'000

>150



Robust risk management framework

Risks and uncertainties

Management of risks and uncertainties

Consistent with the Company's purpose, the Board has articulated EnQuest's strategic vision to be the operator of choice for maturing and underdeveloped hydrocarbon assets. EnQuest 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 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 this regard, the Board has developed certain guiding strategic tenets that link with EnQuest's strategy and appetite for risk. Broadly, these reflect a focus by the Company on:

- Maintaining discipline across financial metrics such as ensuring adequate financial headroom;
- Enhancing diversity within our portfolio of assets, with a focus on underdeveloped producing assets and maturing assets with potential; and
- Ensuring the quality of the investment decision-making process.

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 risk culture 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.

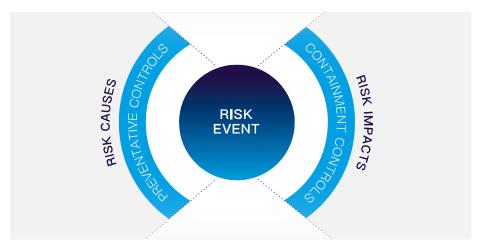
The Board reviews the Company's risk appetite annually in light of changing market conditions and the Company's performance and strategic focus. The Executive Committee periodically reviews and updates the Group Risk Register based on the individual risk registers of the business. The Group Risk Register, 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 Company'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 105 to 106.

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 of which the Company should be cognisant when developing its strategy. They include, for example, long-term supply and demand trends, 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, while

climate change is now a discrete, standalone risk within the Group's 'Risk Library', EnQuest remains conscious of the potential for a number of aspects of climate change to amplify certain principal risks over time (e.g. in relation to access to capital markets - see 'Financial' risk on page 54 and oil price - see 'Oil and gas prices' risk on page 52). 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 some inherent mitigation against the potential impact of 'stranded assets'.

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 below).

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 2020 to the date of this report and carried out a robust assessment of the Company'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'.



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 quickly identify, escalate and appropriately manage emerging risks.

During 2020, work was undertaken to enhance the integration of these risk registers 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. For example, a number of risks in relation to asset integrity at an asset level have been escalated, ultimately resulting in a deep dive of the 'Risk Bowties' in relation to the enterprise level risks that are impacted by asset integrity risk, such as HSEA. After careful analysis and assessment, and in light of the increasing importance of climate change-related issues, the Board recognised climate change as a discrete, standalone risk within the 'Risk Library'.

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

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 contribute to reduce the impact of carbon-related emissions on climate change, and is committed to contributing positively towards the drive to net-zero.

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 our 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 112 to 113 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. A working group, which reports to the Safety, Climate and Risk Committee, has been established to identify and implement economically viable emissions savings opportunities across the Group's portfolio of assets.

During 2020, the Group developed a clear ESG strategy, which included a focus on emissions reductions.

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

Robust risk management framework continued

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

EnQuest's employee and contractor workforce are critical to the delivery of SAFE Results and EnQuest's success, and the Group has a very low tolerance for operational risks to its production.

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

The Group recognises that considerable exposure to price risk is inherent to its business.

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 (see pages 08 to 09 for more information on the Group's response to COVID-19).

See 'Oil and gas price' risk on page 52 for more information on how the Group mitigates against price risk.

Brexit

The Safety, Climate and Risk Committee reviewed management's assessment of risk and related mitigations associated with the UK's planned withdrawal from the European Union and was satisfied with its assessment that there was no material risk to EnQuest's business.



Key Performance Indicators ('KPIs'): A: HSEA (LTI) B: Production (Boepd) C: Unit opex (\$/Boe) D: EBITDA (\$ million) E: Cash generated by operations (\$ million) F: Cash capital and abandonment expense (\$ million) G: Net debt (\$ million) H: Net 2P reserves (MMboe) I: Emissions (tCO₂e)

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 Company, 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
- an articulation of the Group's risk appetite for each of these principal risks (see page 04 for an explanation of the KPI symbols).

Amongst these, the key risks the Group currently faces are materially lower oil prices for an extended period due to any potential macroeconomic impact of COVID-19 (see 'Oil and gas prices' risk on page 52), 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 page 51 and 'Subsurface risk and reserves replacement' on page 57).

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 (2019 Medium)

Likelihood

Medium (2019 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. However, in September, there was a high-potential incident on the Seligi Alpha platform resulting in the shutdown of production. An extensive investigation has been undertaken to determine root causes and implement actions to reduce risk of any re-occurrence. In addition, a Company-wide asset integrity review, supported by independent parties, has commenced. The Group's overall record on HSE remains robust.

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

Related KPIs - A, B, C, D, E, F, G, I

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.

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 continual 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 2020, the Group continued to focus on control of major accident hazards and 'SAFE Behaviours'.

In addition, the Group has a positive and transparent relationship 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 now 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 2020, an independent safety review was undertaken across the Group that reported positively on the Group's safety culture with a recognition of a strong commitment towards safety and robust processes in place. Given the importance of asset integrity, a Company-wide review team has been formed to look at integrity management arrangements at a Group, regional and asset level to drive improvements in 2021.

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.

Robust risk management framework continued

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 (2019 High)

Likelihood

Low (2019 Low)

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

Related KPIs - A, C, D, E, G, H, I

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.

During 2020, the Group developed 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.

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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 (2019 High)

Likelihood

Medium (2019 Low)

There has been no material change in the potential impact; however, the likelihood has increased to medium as a result of a smaller portfolio and the reduced ability to counter any downside risks.

The Group has delivered within its 2020 guidance range, mainly reflecting strong performances from Kraken and at Scolty/Crathes, offset by lower than expected production in Malaysia following the incident at PM8/Seligi.

Related KPIs - B, C, D, E, G, H, I

Appetite

Since production efficiency and meeting production targets are core to our business and 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 has continued transforming the Sullom Voe Terminal, including lowering operating costs, 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.

Robust risk management framework continued

Risk

Oil and gas prices

A material decline in oil and gas prices adversely affects the Group's operations and financial condition.

Potential impact

High (2019 High)

Likelihood

High (2019 High)

The potential impact and likelihood remains high reflecting the uncertain economic outlook due to 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, H

Appetite

The Group recognises that considerable exposure to this risk is inherent to its business.

Mitigation

This risk is being mitigated by a number of measures including hedging the oil price, and institutionalising a lower cost base.

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 and has a policy (see page 162) which allows hedging of its production. As at 24 March 2021, the Group had hedged approximately 5 MMbbls. This ensures that the Group will receive a minimum oil price for 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, while remaining within the limits set by its term loan and revolving credit facility.

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

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.

Potential impact

Medium (2019 Medium)

Likelihood

Medium (2019 Low)

There has been no change to the potential impact. However, the likelihood has increased reflecting an increase in personnel working from home.

Related KPIs – A, B

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.

The Safety, Climate and Risk Committee undertook additional analyses of cyber-security risks in 2020. The Group has a dedicated cyber-security manager and work on assessing the cyber-security environment and implementing improvements as necessary will continue during 2021.

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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 (2019 Medium)

Likelihood

Medium (2019 High)

The impact is unchanged; the likelihood is lower due to the downturn in the industry.

Related KPIs - A, B, C, D, E, F, G

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 assure 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 a number of key areas in order to develop appropriate action plans.

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 and also 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.

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; succession planning therefore remains a key priority.

Following its introduction in 2019, the Group 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.

Robust risk management framework continued

Risk

Financial

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

The outstanding amount on the Group's term loan and revolving credit facility at 31 December 2020 was \$377.3 million (including payment in kind interest) which requires repayment or refinancing by October 2021. While the Board remains confident it will be able to complete a refinancing as part of the funding arrangements associated with the Golden Eagle area acquisition, 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 the loan facility in 2021. The Group's term loan and revolving credit facility also contains certain financial covenants (based on the ratio of indebtedness incurred under the term loan and revolving facility to EBITDA, finance charges to EBITDA and a requirement for liquidity testing). 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 (2019 High)

Likelihood

High (2019 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 has made material progress in reducing its term loan facility ahead of schedule, and has voluntarily repaid early a further \$25.0 million in January 2021. 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 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, 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, enhancing profit margins, 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 2020, the Group repaid a total of \$100.0 million of the term facility, with the \$65.0 million due in April 2021 voluntarily repaid early.

These steps, together with other mitigating actions available to management, are expected to provide the Group with sufficient liquidity to strengthen its balance sheet for longer-term growth.

Ongoing compliance with the financial covenants under the Group's term loan and revolving credit 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. The Group is continuing to enhance its financial position through maintaining a focus on controlling and reducing costs through supplier renegotiations, assessing counterparty credit risk, hedging and trading, cost-cutting and rationalisation.

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

The quick and decisive actions management took following the combined impacts of the COVID-19 pandemic, the oil price decline and resulting economic crisis in early 2020 have materially lowered the Group's free cash flow breakeven.

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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 (2019 High)

Likelihood

Medium (2019 Medium)

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

Related KPIs - E, G

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 Oil & Gas 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

Project execution and delivery

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

Potential impact

Medium (2019 Medium)

Likelihood

Low (2019 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 projects over an extended period of time.

Related KPIs - B, D, E, F, G, H, I

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.

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 project teams which are responsible for the planning and execution of new projects with a dedicated team for each development. 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 safely to deliver projects at the lowest possible cost and associated emissions.

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.

Robust risk management framework continued

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 (2019 High)

Likelihood

High (2019 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 in the near term.

During the year, the Group signed a sales and purchase agreement with Equinor to purchase a 40.81% operating interest in the Bressay oil field in the UK North Sea, with the transaction completing in January 2021. Furthermore, in February 2021, the Group announced it had signed an agreement with Suncor Energy UK Limited ('Suncor') to purchase Suncor's entire 26.69% nonoperated equity interest in the Golden Eagle area. Separately, a number of licence awards were granted to EnQuest during the 32nd Offshore licensing round.

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

Related KPIs - B, C, D, E

Appetite

Although the extent of portfolio concentration is moderated by production generated internationally, 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 or export capability where such opportunities are consistent with the Group's focus on enhancing net revenues, generating cash flow and strengthening the balance sheet. In February 2021, the Group announced it had signed an agreement to farm-down an 85% equity interest in and transfer operatorship of the Eagle discovery to Anasuria Hibiscus UK Limited. The transaction is subject to customary regulatory and third-party approvals.

Key Performance Indicators ('KPIs'): A: HSEA (LTI) B: Production (Boepd) C: Unit opex (\$/Boe) D: EBITDA (\$ million) E: Cash generated by operations (\$ million) F: Cash capital and abandonment expense (\$ million) G: Net debt (\$ million) H: Net 2P reserves (MMboe) I: Emissions (tCO₂e)

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 (2019 Medium)

Likelihood

Low (2019 Low)

There has been no material change in the potential impact. The likelihood has also been maintained reflecting the Group's current low exposure to capital-intensive projects requiring funding from third parties.

Related KPIs - 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 credit worthiness

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 (e.g. 'Brexit').

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 (2019 High)

Likelihood

Medium (2019 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, H

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 and PM8/Seligi that it believes can primarily be accessed through low-cost sub-sea drilling and tie-backs to existing infrastructure. EnQuest continues to evaluate the substantial 2C resources at PM409 to identify future drilling prospects. PM409 is contiguous to the Group's existing PM8/Seligi PSC, providing low-cost tie-back opportunities to the Group's existing Seligi main production hub.

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

Robust risk management framework continued

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 (2019 High)

Likelihood

High (2019 High)

The potential impact and likelihood have remained 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, H

Appetite

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

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 Company achieves the highest possible value for its production.

A recent example of the marketing and trading group's capability has been moving Kraken from the crude oil market into fuel oil. In addition, the marketing and trading group is responsible for the Company's commodity price risk management activities in accordance with the Group's business strategy.

Key Performance Indicators ('KPIs'): A: HSEA (LTI) B: Production (Boepd) C: Unit opex (\$/Boe) D: EBITDA (\$ million) E: Cash generated by operations (\$ million) F: Cash capital and abandonment expense (\$ million) G: Net debt (\$ million) H: Net 2P reserves (MMboe) I: Emissions (tCO₂e)

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 (2019 Medium)

Likelihood

Medium (2019 Medium)

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

Related KPIs - A, 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.

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 46 to 59 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 and publishes its modern slavery statement on its website at www.enquest.com, under the Environmental, Social and Governance section.

Further detail on EnQuest's corporate responsibility policies and activities, including the area of business conduct, is also available on the Environmental, Social and Governance section of EnQuest's website at www.enquest.com. This is updated as required during the year.

Task Force on Climate-related Financial Disclosures

The Group welcomes the initiative for increased governance and transparency in general, and specifically in relation to climate change. The Board recognises the increasing societal and investor focus on climate change, and the desire to understand its potential impacts on the oil and gas industry through improved disclosure, utilising mechanisms such as those proposed by the Task Force on Climate-related Financial Disclosures (TCFD'). The table below provides information relevant to each of the four TCFD recommendations, and the Group will continue to evolve these disclosures over time in preparation of the mandatory reporting in 2021.

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 by being the operator of choice for maturing and underdeveloped hydrocarbon assets. 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 across Upstream, Midstream and Decommissioning operations where practicable and ensuring a robust risk management framework ('RMF') is in place. As set out in the risk management section below, climate-related issues feature within a number of the Group's

principal risks and are prioritised and managed accordingly. In addition, climate change is recognised as a standalone risk area in its own right (see page 46).

Reflecting the importance the Group places on evolving climate change-related matters, the RMF process is overseen by a dedicated sub-Committee of the Board. This sub-Committee is now the Safety, Climate and Risk Committee and its terms of reference have been amended to enable it to support the Board with increased oversight of de-carbonisation, 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 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 Oil & Gas UK.

During 2020, the ESG steering group, comprising members of the Executive Committee and other appropriate managers, reviewed the Group's emissions performance, identified a number of initial emission reduction initiatives and proposed a discrete Group-wide target (see the Metrics and Targets section below). In support of this, a working group has been set up dedicated to the identification and implementation of economically viable emissions savings opportunities across the Group's portfolio of assets. This group will report to the Executive Committee and the Safety, Climate and Risk Committee on a regular basis.

Pages 46 to 59, 68 to 101, 105 to 106 and 109 to 113



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. 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 Group is also engaged in various forums, such as Project Orion in the Shetland Islands, to ensure it remains aware of any emerging prospects that could provide cleaner energy to its asset base and so lower the Ğroup's overall emissions.

Long-term energy demand scenarios (such as the International Energy Agency's Sustainable Development Scenario and the Shell Sky Scenario, both of which are aggressive decarbonisation forecasts) forecast hydrocarbons to remain an important part of the energy mix for a considerable period. Notwithstanding this, 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' within EnQuest's portfolio. In addition, during 2020 EnQuest transformed its business, focusing on its lowest cost assets which saw unit operating expenditures reduce to c.\$15.2/Boe, further enhancing its ability to successfully operate in a low oil price environment.

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.

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. In addition, the cost of emissions trading allowances may trend higher.

With respect to physical risks of climate change to the Group's business, the Group is aware of potential 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.

Pages 01 to 23, 30 to 37 and 52

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 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.

The Safety, Climate and Risk Committee provides a forum for the Board to review selected individual risk areas in greater depth. Indeed, climate change is now 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 46 to 59 and 105 to 106

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.

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.

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. However, the Board has 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.

Pages 04, 10 to 15, 32 to 37, 82 to 101, 105 to 106 and 112 to 113

Stefan Ricketts

Company Secretary

The Strategic report was approved by the Board and signed on its behalf by the Company Secretary on 24 March 2021.