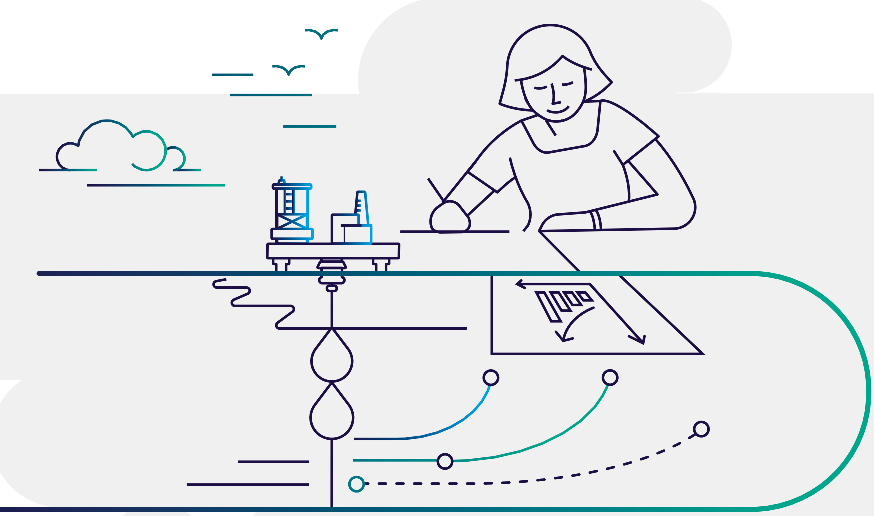
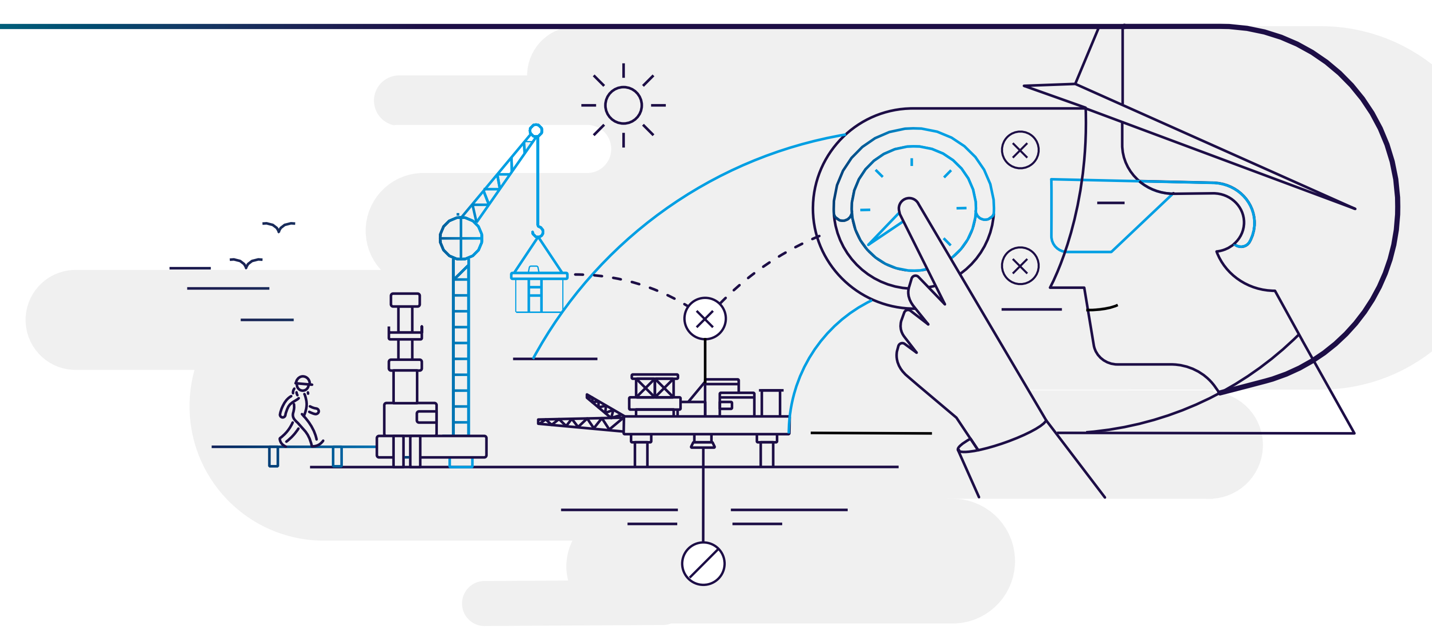


Providing creative solutions through the energy transition

ENQUEST PLC ANNUAL REPORT AND ACCOUNTS 2022



Welcome

Upstream

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

For more, see Page 12

Repurposing

Electrification

Green hydrogen

CO_2 storage

Infrastructure and New Energy

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

For more, see Page 14

Strategic Report

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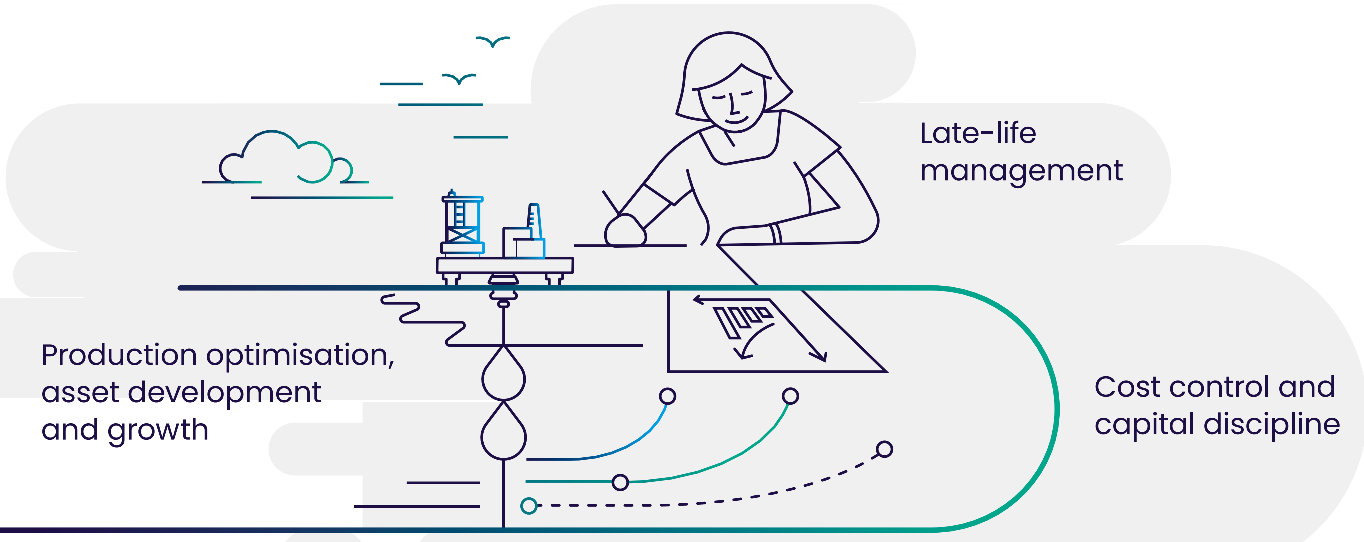
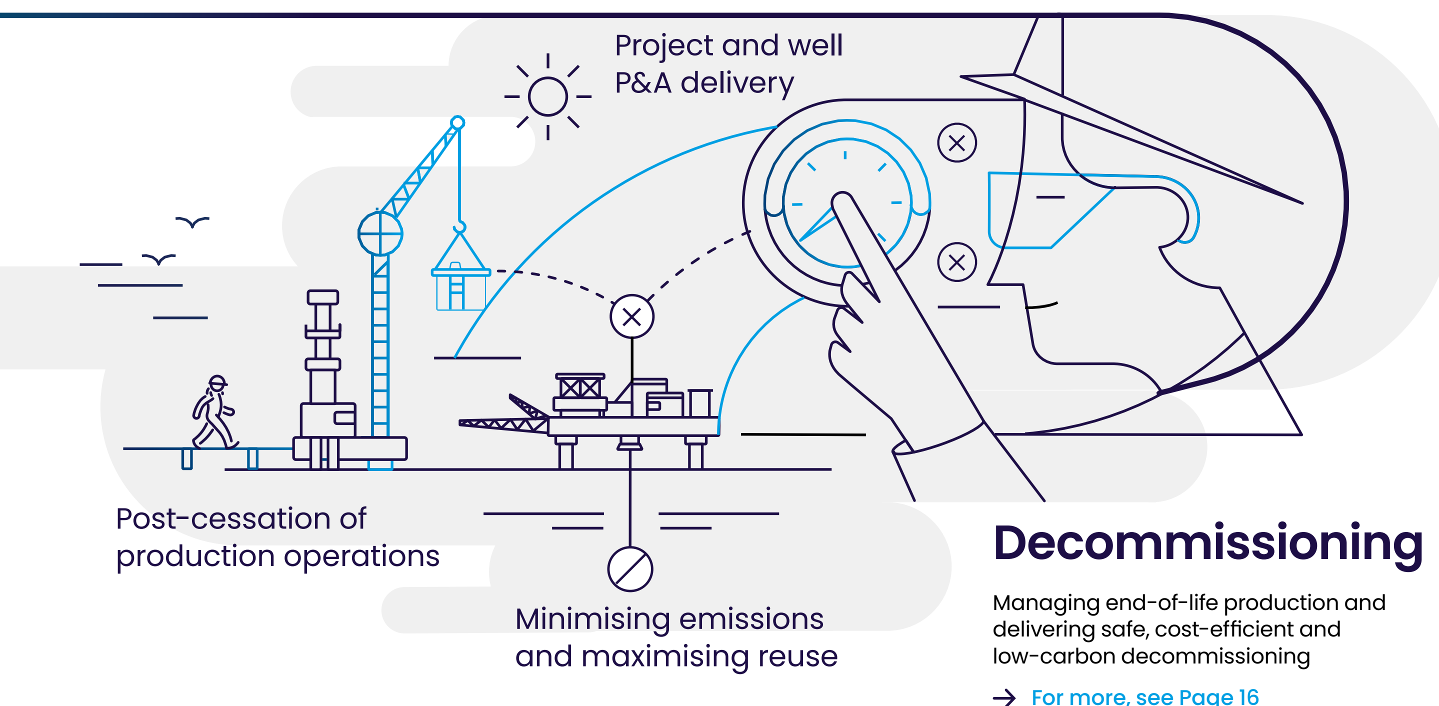


The energy transition

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



Decommissioning

Managing end-of-life production and delivering safe, cost-efficient and low-carbon decommissioning

→ For more, see Page 16

Highlights

Strong free cash flow generation driving continued debt reduction.

Production in the year increased by 6.4% versus 2021, reflecting a full year's contribution from Golden Eagle following its acquisition in October 2021, good uptime across the portfolio and the successful execution of well programmes offsetting natural declines.

The Group's adjusted EBITDA increased 31.8% to $979.1 million, primarily reflecting materially higher revenue. Profit before tax decreased by 42.3% to $203.2 million, primarily driven by non-cash impacts of impairments and fair value changes in the Magnus contingent consideration liability. The Group reported a basic loss per share of 2.2 pence (2021: profit per share of 21.7 pence), primarily reflecting the impact of the initial recognition of a deferred tax liability associated with the UK Energy Profits Levy ('EPL').

Strong production performance, focused cost control and the supportive commodity price environment underpinned record free cash flow generation, which enabled the Group to lower debt and undertake a comprehensive refinancing, rebalancing its capital structure between secured and unsecured debt and extending maturities until 2027. EnQuest net debt was reduced in the year from $1,222.0 million to $717.1 million.

The UK Energy Profits Levy impacts cash flow generation and the Group's capital allocation strategy. EnQuest remains focused on deleveraging and intends to prioritise organic investments with quick paybacks and accretive M&A opportunities that allow it to leverage its operating capability and tax loss position, with shareholder returns expected to follow in the future.

ALTERNATIVE PERFORMANCE MEASURES[1]

Operating costs
($ million)

396.5
+23.5%

Adjusted EBITDA
($ million)

979.1
+31.8%

Free cash flow
($ million)

518.9
+30.8%

Read more in the Financial review
See Page 20

STATUTORY PERFORMANCE MEASURES

Revenue and other operating income
($ million)

1,853.6
+46.4%
2021: 1,265.8

Profit/(loss) before tax
($ million)

203.2
-42.3%
2021: 352.4

Basic earnings/(loss) per share
(cents)

(2.2)
n/a
2021: 21.7

Net cash flow from operating activities
($ million)

931.6
+38.2%
2021: 674.1

Net assets/(liabilities)
($ million)

456.6
-12.3%
2021: 520.8

Read more in the Financial review
See Page 20

Note above:
1 See reconciliation of alternative performance measures within the 'Glossary – Non-GAAP measures' starting on page 175.

Notes opposite:
1 Lost Time Incident frequency represents the number of incidents per million exposure hours worked (based on 12 hours for offshore and eight hours for onshore)
2 EnQuest has updated its reporting of proven and probable reserves to be on an equity working interest basis for alignment and consistency with its peer group, having previously reported on an entitlement basis. Previously, 2021 was reported as 194 MMboe with 2020 reported as 189 MMboe
3 See reconciliation of alternative performance measures within the 'Glossary – Non-GAAP measures' starting on page 175
4 Prior periods have been restated to reflect alignment of reporting methodologies for independent verification of 2022 data in Malaysia. Previously, 2021 was reported as 1,145.3 $ktCO_2e$ and 2020 as 1,342.8 $ktCO_2e$

Key performance indicators

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

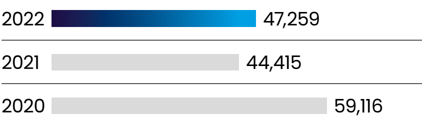
+171.4%

2022 0.57
2021 0.21
2020 0.22

In occupational safety, the Group's excellent track record with respect to Lost Time Incident ('LTI') performance was challenged but remained in the upper quartile. The increase in 2022 primarily occurred through routine activities and the Group has taken steps to re-emphasise the need for increased focus on situational awareness and dynamic risk assessment.

B: Net production
Boepd

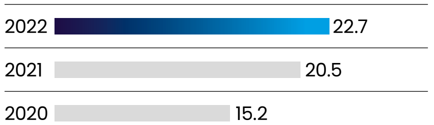
+6.4%



The increase in production was primarily driven by the full-year contribution from Golden Eagle and improved performances at Magnus and PM8/Seligi, reflecting successful well programmes, while production at Kraken was at the top end of its guidance range.

C: Unit opex[3]
$/Boe

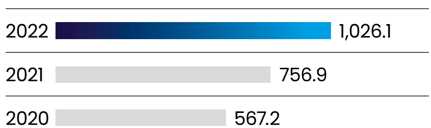
+10.7%



Average unit operating costs were primarily impacted by the Golden Eagle acquisition and higher fuel and emission trading allowance costs due to higher market prices, partially offset by increased production and the weakening of Sterling against the US Dollar.

D: Cash generated by operations
$ million

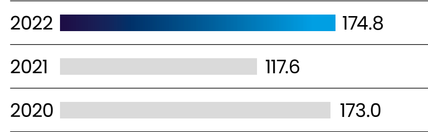
+35.6%



Strong cash generated by operations reflected higher adjusted EBITDA, driven by the combination of increased production, supportive commodity prices and effective cost control.

E: Cash capital and abandonment expense[3]
$ million

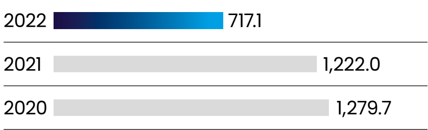
+48.6%



Increased cash capital and abandonment expense reflected significant production enhancing well programmes at Magnus, PM8/Seligi and Golden Eagle, in addition to well plug and abandonment decommissioning activities at Heather/Broom, and Thistle/Deveron.

F: EnQuest net debt[3]
$ million

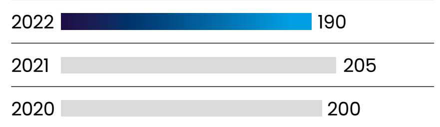
−41.3%



Strong free cash flow generation was utilised to deleverage the Group's balance sheet. During 2022, the Group refinanced its debt, rebalancing its capital structure between secured and unsecured debt and extending maturities until 2027.

G: Net 2P reserves[2, 3]
MMboe

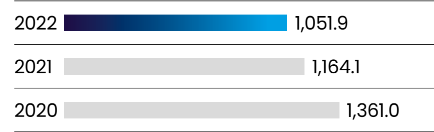
−7.3%



During the year, the Group produced c.17 MMboe of its year-end 2021 2P reserves base. Other revisions and transfers from 2C resources added a net c.2 MMboe to 2P reserves.

H: Scope 1 and 2 emissions[4]
tCO_2e

−9.6%



Total CO_2e emissions were lower, reflecting lower emissions in Malaysia primarily as a result of sustained periods of single compressor operations.

An integrated energy company

EnQuest is focused on delivering energy to meet today's and tomorrow's needs while pursuing decarbonisation opportunities.

Our purpose

Our purpose is to provide creative solutions through the energy transition.

We harness the creative energy from all our people to focus on SAFE Results and providing the energy society needs while reducing our environmental impact as we all transition to a cleaner world.

Our strategic vision

To be the partner of choice for the responsible management of existing energy assets, applying our core capabilities to create value through the transition.

Our Values

SAFE Results

Working Collaboratively

Respect & Openness

Growth & Learning

Driving a Focused Business

4 What we do

UPSTREAM

We responsibly extract existing oil and gas resources through established infrastructure while minimising emissions.

→ For more, see Page 12

INFRASTRUCTURE AND NEW ENERGY

We are focused on safe and reliable operations while repurposing infrastructure to progress renewable energy and decarbonisation opportunities at scale.

→ For more, see Page 14

DECOMMISSIONING

We are committed to delivering decommissioning programmes responsibly, minimising emissions and maximising the reuse of recovered materials.

→ For more, see Page 16

5 Our strategic focus

Deliver, De-Lever and Grow

Managing assets to optimise production while exercising cost control and capital discipline

Repurposing existing infrastructure to deliver new energy and decarbonisation opportunities at scale

Safely and efficiently executing decommissioning activities

Continuing to reduce debt

Pursuing selective, capability-led and value-accretive acquisitions

Shareholder returns

Well set for a global, just energy transition

Gareth Penny
Chairman

Chairman Gareth Penny explains what excites him about EnQuest's future

Q: What attracted you to the role of Chairman of EnQuest PLC?

A: EnQuest has made great progress over the last few years in delivering on its strategic priorities. Strong production performance and a focus on cost control and capital discipline, combined with creative and timely acquisitions, have enabled the Group to generate material cash flows, even during the period of extremely depressed oil prices as the world navigated the COVID-19 pandemic. More recently, despite a challenging macro backdrop fuelled by a combination of the Russian invasion of Ukraine, uncertainty over global post-pandemic recovery, rising global inflation and, in the UK at least, changes in government leadership and the fiscal regime through the introduction of the Energy Profits Levy ('EPL'), the Group successfully refinanced its debt facilities and extended their maturities.

At the same time, the Group has continued to enhance its strategy and business model to meet society's energy needs of today and tomorrow. While the Upstream business remains a core focus given its cash generating capability, the Group has made considerable progress in a short space of time in the Infrastructure and New Energy business to deliver credible and material opportunities in new energy and decarbonisation, primarily through the repurposing of existing infrastructure. The Company also continues to demonstrate its capability in decommissioning.

This enhanced business model is underpinned by several complementary, transferable, proven capabilities, and our drive to support energy security, supply and affordability, jobs and the communities in which we operate means we have the chance to establish EnQuest as a true just and sustainable energy transition company. On behalf of the Board, I would like to thank our teams for their commitment and professionalism in delivering the above outcomes. It is the combination of a proven track record of strong operational and financial performance, resilience, creativity and adaptability that makes EnQuest a really attractive company to be a part of.

"It is the combination of a proven track record of strong operational and financial performance, resilience, creativity and adaptability that makes EnQuest a really attractive company to be a part of."

Q: What do you see as core strengths of the Company?
A: EnQuest is a proven operator of maturing assets, safely and responsibly managing natural resources and extracting additional value that others may have left behind. The Group has long-life assets which have opportunities to generate value for the Company's stakeholders that can be matured using our distinct capabilities in drilling and subsea tie-backs. These are transferable skills that can be used in the Group's Decommissioning business, where we are focused on safe, efficient and environmentally responsible operations.

The Group's strong track record of delivering accretive acquisitions through innovative transaction structures places the Company in a good position as other industry participants reconsider their appetite for continued investment in the UK North Sea following the introduction of the EPL. EnQuest's business model is proven to capture additional value through effective late-life asset management across Upstream and Decommissioning and the utilisation of the Group's significant UK tax loss position.

Undoubtedly, the Group's Infrastructure and New Energy business provides the Group with a bright future. Many of the Group's distinct capabilities that drive its Upstream and Decommissioning businesses can be equally applied to renewable energy and decarbonisation workstreams. The advantaged position the Group has at the Sullom Voe Terminal provides EnQuest with a differentiated proposition that I am confident will underpin success in the future.

Ultimately, people are any company's strongest asset and, even though I have only been with the Company a short time, I can see our people have drive, commitment, professionalism and creativity.

Q: 2022 saw a year of great challenge and change, both globally and at EnQuest. What are the key risks, challenges and opportunities for the organisation?
A: Undoubtedly, 2022 was a challenging year, but with challenge comes opportunity and it is companies like EnQuest that will find ways to capitalise on them. For example, the EPL will impact the Group's cash generating capability and, consequently, its capital allocation decisions. However, with a significant tax loss position, the value of assets in EnQuest's hands far outweighs that which could be generated in the hands of other organisations. As such, I am confident there will be further opportunities for the Company as majors and other operators continue to shift their focus from the UK. We will also continue to assess appropriate M&A opportunities in other geographies and look at balancing the portfolio with more gas assets.

Clearly, the oil price remains a core risk to the business and it has proved to be somewhat volatile in recent years, reflecting the macroeconomic backdrop. However, years of industry-wide underinvestment, a robust and improved post-pandemic demand outlook, and increasing recognition of the part the oil and gas industry will play in a responsible transition to a lower-carbon society, mean EnQuest is well positioned to continue to generate value over an extended period of time from its integrated business model.

Environmental, social and governance ('ESG') considerations, and climate change in particular, have remained high on our agenda. We are committed to playing our part in the drive to net zero and, if we are successful in our carbon capture and storage opportunity, we will go materially beyond net zero. At a Board level, we have agreed to rename the Safety, Climate and Risk Committee the Safety, Sustainability and Risk Committee, reflecting the importance we place on long-term safety and sustainability, particularly as we play our part in a just energy transition.

Q: What is your main focus for 2023?
A: As part of my induction, I have been meeting with many of our management teams and employees and have been impressed by those I have met. I have also had the opportunity to meet with several of the Group's major institutional shareholders and thank them for sharing their views on the Company. I am excited to be working with Amjad and Salman on charting the path of new energy for EnQuest and assisting in our strategic goal of repurposing assets to support the just energy transition. I remain committed to supporting management in its pursuit of this transformative goal with continued open and transparent engagement.

Q: What would success look like for you in your time as Chairman?
A: Clearly we need to continue to operate in a safe, environmentally friendly and sustainable manner. In the near term, we must continue to focus on the delivery of our financial and operational targets as this will enable further reductions in the Group's debt. Such delivery will provide the platform for the Group to pursue further organic and inorganic value-enhancing opportunities. In the medium term, I want to see the Company capitalise on its proven capabilities in Upstream and Decommissioning and strategically-advantaged position in respect of new energy and decarbonisation ambitions.

The Company is led by a strong and experienced management team, supported by a diverse and knowledgeable Board, and has excellent people who, collectively, are focused on delivering on EnQuest's energy transition strategy. I am excited about our future.

Continuing to deliver, de-lever and grow

Amjad Bseisu
Chief Executive

All figures quoted are in US Dollars and relate to Business performance unless otherwise stated.

Overview

2022 saw the Group once again deliver a strong operational and financial performance. Production was up 6.4%, free cash flows increased to a record $518.9 million and EnQuest net debt was reduced to $717.1 million, its lowest level since 2014. We also undertook a comprehensive refinancing of our debt facilities, extending maturities until 2027. These were significant achievements given the backdrop of volatile markets and several momentous changes in the macro environment, as set out later in this report.

Since we set our strategic priorities of 'deliver, de-lever and grow' at the end of 2018, we have progressed on all fronts. We have delivered strong production performance, controlled costs and exercised capital discipline, focusing on the most value-accretive opportunities. This in turn has allowed us to generate material free cash flows, even when the oil price was depressed during the COVID-19 pandemic, reduce EnQuest net debt by more than $1.0 billion and deliver an EnQuest net debt to EBITDA ratio of just 0.7x at the end of 2022.

From a growth perspective, our acquisition of the Golden Eagle asset contributed significantly to our cash generation in 2022, while the low-cost acquisitions of material resources at Bressay and Bentley have provided us with future near-field development opportunities that can utilise our heavy oil expertise and differential capability in subsea drilling and tie-backs.

Having established our Infrastructure and New Energy business in 2021, we have now identified and are maturing three discrete and scalable decarbonisation opportunities of carbon capture and storage ('CCS'), electrification, and green hydrogen and derivative production. Our position at the Sullom Voe Terminal ('SVT') provides a strategically advantaged, sustainable and tangible basis upon which to further progress each of these opportunities. At the same time, we have materially reduced our absolute Scope 1 and 2 emissions, with UK Scope 1 and 2 emissions c.43% lower than the 2018 benchmark. This is significantly ahead of the UK's North Sea Transition Deal targets.

We have also cemented our position as a leading decommissioning partner, delivering one of the most

"Our business model spans the energy transition spectrum. We will contribute to a just and sustainable transition by responsibly managing existing resources, repurposing assets and providing long-term opportunities for our people."

productive campaigns seen in the UK North Sea by decommissioning a total of 24 wells at Heather and Thistle last year and being recognised by regulators in both the UK and Malaysia for our decommissioning performance.

Our enhanced business model spans the energy transition spectrum, ensuring the transition is managed in a just and sustainable manner over time. By responsibly managing existing assets, we will continue to provide the production the world needs today while advancing our new energy and decarbonisation opportunity set to support a future lower-carbon energy system, before safely decommissioning those assets. Our business model is underpinned by several complementary, transferable, proven capabilities and provides long-term opportunities for our people.

Market conditions

Commodity prices

During 2022, global markets were impacted by a variety of events. Towards the end of 2021 and into early 2022, we saw oil prices recover to pre-pandemic levels as global markets began to reopen and demand for oil products increased. In the lead-up to and following Russia's invasion of Ukraine the oil price quickly escalated, with spot prices peaking at more than $130/bbl in early March. Oil prices remained elevated for the summer, driven in part by measured increases in OPEC+ supply, uncertainty over the impact of sanctions against Russian oil supplies and continued capital discipline across the industry. However, prices began to decline later in the year as several COVID-19 related restrictions remained in place in China, the impact of sanctions played through and global inflation and recessionary pressures mounted.

By the end of 2022, oil prices had reverted back towards those seen at the start of the year. Gas prices in Europe and the UK saw significant spikes during the year. Day-Ahead prices peaked at over £5/therm in August, reflecting restricted pipeline gas supplies from Russia and strong competition for liquefied natural gas to meet demand. Close to the end of the year, gas prices reduced significantly as demand softened with milder weather across Europe resulting in better-than-expected storage levels.

Fiscal uncertainty

In May 2022, the UK Government introduced a windfall tax, the Energy Profits Levy ('EPL'), on oil and gas producers. The tax was to take effect immediately at a rate of 25% and was accompanied by investment incentives and a commitment to remove the tax at the point in which oil prices returned to more normal levels or by December 2025, whichever was earlier. Four months later, after a change in prime minister, a mini-budget was announced aiming to protect UK citizens from the 'cost-of-living crisis' and stimulate the UK economy. However, it was widely criticised and led to financial instability, with Sterling weakening appreciably against the US Dollar. In October, almost all of the mini-budget policies were removed, providing some stability to financial markets, with a second change in leadership following shortly afterwards. In the November autumn statement, the new leadership team announced the EPL would be amended and extended, with a higher rate of 35% from 1 January 2023, an end date of March 2028 and the removal of any price floor, which consequently impacted access to capital across the sector.

Inflation

The combination of increasing global activity after lockdown restrictions were eased, supply disruptions and higher food and energy prices saw increases in inflation rates to levels not seen for decades. The Bank of England and other central banks sought to limit inflation by increasing interest rates, with the rate in the UK raised to its highest level in 14 years during December 2022.

Clearly, such volatility imposes significant challenges on any business. However, companies like EnQuest that demonstrate resilience, creativity and adaptability find opportunities in such circumstances. For example, the introduction of the EPL has resulted in a number of industry participants accelerating their shift in focus away from the UK North Sea. Our significant tax loss position and the impact of the EPL on marginal tax rates means if assets were owned by EnQuest their relative value could be a multiple of that in the hands of existing owners. As such, I am confident there will be further M&A opportunities for us to pursue.

Operational performance

EnQuest's average production increased by 6.4% to 47,259 Boepd, primarily driven by a full year's contribution from Golden Eagle following completion of the acquisition on 22 October 2021, along with improved performances at Magnus and PM8/Seligi reflecting the successful execution of extensive well programmes during the year. The well programme at Magnus included the successful completion of the North West Magnus well, which allowed for additional gas export capacity, low-cost perforation work and three wells being returned to service, with simultaneous workover

"Our capabilities position us well to be the partner of choice for the responsible management of assets."

EnQuest operates the Sullom Voe Terminal on Shetland, which will be the focus of the Company's decarbonisation and new energy projects

Production
Boepd
47,259

Free cash flow
$ million
# 518.9

EnQuest net debt
$ million
# 717.1

and drilling activities undertaken. The North West Magnus well, which is the longest reservoir section drilled in the North Sea this century at 1,914 metres and represents the longest liner ever run at Magnus, contributed strongly to production of both oil and gas in the fourth quarter. In Malaysia, the infill drilling campaign included the Group's first three horizontal wells at PM8/Seligi, while the four-well workover programme was delivered on budget and ahead of schedule. In addition, we successfully executed a three-well plug and abandonment ('P&A') campaign at PM8/Seligi ahead of schedule and below budget, for which the team were deservedly recognised by the regulator for commitment to safety and the use of new technology. Kraken continued to perform well, delivering top-quartile production efficiency ('PE') of 93% and production at the top end of its guidance range. During the fourth quarter of 2022, Kraken passed the milestone of 60 MMbbls (gross) of oil produced since start-up in mid-2017, and has been one of the Group's best performing assets for a number of years now. While production and drilling performance of the non-operated Golden Eagle asset were below expectations, the asset still contributed strongly to the Group's cash generation and by the end of 2022 had fully paid back the initial cash acquisition costs. That represents a payback period of c.14 months.

During 2022, we produced c.17 MMboe of our year-end 2021 2P reserves base. This reduction in 2P reserves was partially offset by transfers from 2C resources, net of other technical revisions. The Group also changed its reporting of Malaysian 2P reserves to an equity working interest basis to align with peer reporting, having previously adopted an entitlement interest basis. This change added c.11 MMboe to the year-end 2022 balance (see note 7 on page 18). As such, 2P reserves at the end of the year were around 190 MMboe, down from c.194 MMboe reported at the end of 2021 (c.205 MMboe on a comparative working interest basis). We continue to have material 2C resources of around 393 MMboe, with Bressay and Bentley each holding more than 100 MMboe of net 2C resources, while Magnus and Kraken in the UK and PM8/Seligi and PM409 offshore Malaysia also hold material 2C resources.

Our Infrastructure and New Energy business has moved forward at pace this year. We have developed three credible and scalable new energy and decarbonisation opportunities, built on the unique and tangible strategic advantages of SVT, while continuing to deliver top-quartile operational and HSE performance at the terminal for existing users of the site. Securing an exclusivity agreement with the Shetland Islands Council provides us with a platform from which to connect potential strategic partners and piece together the component parts of each of the opportunities we have. We are hopeful of success in the next stage of the process as we await the outcome of our application for offshore CCS licences.

2022 was a year in which our UK team demonstrated, and were recognised for, decommissioning excellence. Our extensive UK decommissioning work programme saw the successful execution of 24 well P&As across the Heather and Thistle fields and we remain on track for our targeted disembarkation dates at both platforms, with topside removal work planned for around the middle of the decade. We have awarded the heavy lift contract for the Heather topsides and are at an advanced stage on the Thistle topside removal contract award.

Having only been established in 2020, it was pleasing to see the decommissioning team recognised for excellence by Offshore Energies UK for its work, executed in 2021, on the Northern Producer off-station project at the Dons field.

Financial performance

The Group's adjusted EBITDA and statutory gross profit increased by 31.8% to $979.1 million and 82.3% to $652.9 million, respectively, reflecting higher realised oil prices and production. Operating costs for the year of $396.5 million were higher than 2021, including the full-year impact of Golden Eagle, higher market price driven costs and lower lease charter credits, reflecting continued high uptime at Kraken. Unit operating costs increased to $22.7/Boe, primarily reflecting the impacts on costs noted above. Cash generated by operations increased to $1,026.1 million, up by 35.6% compared to 2021, with free cash flow generation of $518.9 million.

This strong financial and operating performance during the year underpinned delivery of our comprehensive refinancing of each of our three debt facilities in what were extremely challenged financial markets.

With the introduction of the EPL during the year, the Group assessed the carrying value of its assets as at 31 December 2022. The net impact of the EPL, changes in asset profiles and higher forecast oil prices resulted in the Group recording a pre-tax non-cash impairment charge of $81.0 million. In January, the Group's RBL redetermination was undertaken and included the increase in EPL rate to 35%, its extension of duration until 2028 and removal of the windfall tax price floor. This redetermination has resulted in a reduction in the funds available in the RBL facility from $500.0 million to c.$339.0 million. The Group has made repayments totalling $118.0 million in the first quarter of 2023, ensuring it stays ahead of the revised capacity limits.

Environmental, Social and Governance

The health, safety and wellbeing of our employees remains our top priority. In 2022, we achieved an upper quartile Lost Time Incident ('LTI') frequency[1] rate. However, there was an increase in the number of LTIs from 2021 for which intervention was undertaken, emphasising increased focus on situational awareness and dynamic risk assessment. During 2022, our team developed a fully integrated HSEA Continuous Improvement Plan ('CIP') to drive enhanced performance in 2023 and beyond. This CIP is fully aligned to the Group's HSEA Policy and has been implemented across the North Sea and Malaysia operations.

As outlined earlier, we have made excellent progress in reducing absolute Scope 1 and 2 emissions during the year with the Group's CO_2 equivalent emissions reduced by c.23% since 2020 and the UK's emissions down by c.43% since 2018, reflecting lower flaring and lower fuel gas and diesel usage. This progress is significantly ahead of the Group's targeted reductions and those set by the UK Government's North Sea Transition Deal. At the same time, we continue to optimise sales of Kraken cargoes directly to the shipping fuel market, avoiding emissions related to refining and helping reduce sulphur emissions.

This year saw a number of changes to our Board, with Martin Houston, Jonathan Swinney and Philip Holland stepping down, to be succeeded by Gareth Penny (Chairman), Salman Malik (Chief Financial Officer) and Rani Koya (Non-Executive Director), respectively. I would like to thank Martin, Jonathan and Philip for their contributions, and I look forward to working with Gareth, Salman and Rani as we execute on our integrated energy strategy. Following these changes, the EnQuest Board has 33% female representation, which shows good progress towards the FTSE Women Leaders Review target of 40% and remains ahead of the Parker Review target with respect to minority ethnic representation, with four minority ethnic Board members.

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

2023 performance and outlook

Production performance to the end of March was around 47,800 Boepd. Our full-year net production guidance of between 42,000 and 46,000 Boepd includes the impacts from drilling campaigns at Magnus and Golden Eagle and required maintenance activities at Kraken, Magnus and the Greater Kittiwake Area.

Operating costs are expected to be approximately $425.0 million, while capital expenditure is expected to be around $160.0 million, with decommissioning expenditure expected to total approximately $60.0 million.

Longer-term development

Over the last few years, we have enhanced our strategy and business model with the aim of meeting society's energy needs of today and tomorrow. The Upstream business is focused on responsibly optimising production to drive cash generation for further deleveraging, selective organic and inorganic investments and returns to shareholders. Our Infrastructure and New Energy business is assessing repurposing opportunities which leverage existing infrastructure to build scalable businesses in each of CCS, electrification and hydrogen production, supporting decarbonisation at levels which could take the Company beyond net zero emissions. In Decommissioning, we manage end of field life and post-cessation of production operations to deliver safe and efficient execution of decommissioning work programmes in a responsible manner.

This collective offering, alongside our advantaged tax position in the UK, enhances our M&A credentials as a responsible owner and operator of existing assets and infrastructure as we transition to a lower-carbon energy system, offering our people long-term opportunities.

We look forward to delivering on our strategic aims as we transition.

Production guidance
Boepd

42,000–46,000

Upstream operations

2022 Group performance summary
Production of 47,259 Boepd reflected improved performances at Magnus and at PM8/Seligi, continued strong performance at Kraken and the impact of a full year of contribution from Golden Eagle; this was partially offset by the expected natural declines across the portfolio. The Group executed significant well programmes during 2022 following the necessary pause in drilling during the low commodity price environments experienced during 2020 and 2021.

UK Upstream operations[1]

Daily average net production (Boepd)

40,801

+4%

(2021: 39,220)

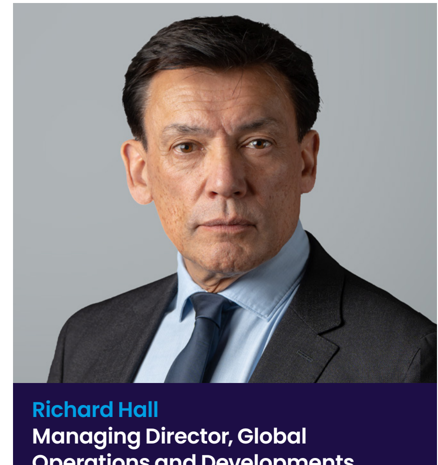
1 Includes Magnus, Kraken, Golden Eagle, the Greater Kittiwake Area including Scolty/Crathes and Alba

Magnus

2022 performance summary
2022 production of 12,641 Boepd was 6.5% higher than the 2021 figure of 11,870 Boepd, with production efficiency for the year at 66%. With simultaneous workover and drilling activities undertaken, a key success at Magnus was the completion of the North West Magnus well and its associated gas production, while perforation work at a second target well was successful in adding incremental volumes at significantly lower cost than infill drilling. The North West Magnus well, which is the longest reservoir section drilled in the North Sea this century at 1,914 metres and represents the longest liner ever run at Magnus, contributed strongly to production of both oil and gas in the fourth quarter. In remedying well integrity issues encountered during the first half of the year, the Group's well intervention programme returned two wells to service in the first half of 2022, with production from a third producer reinstated during the fourth quarter.

The planned annual shutdown was completed during the third quarter and all major scopes were executed, with the primary focus on compressor maintenance activities. Following generator refurbishment work, the asset power generation unit has been performing reliably since February 2022, raising confidence that previous topside issues have been largely mitigated and enabling Magnus to facilitate consistent gas supply to the UK.

2023 outlook
A shutdown of around three weeks is planned in the third quarter to complete scheduled safety-critical activities, while further asset integrity maintenance and plant improvement opportunities will continue to be assessed and implemented throughout the year in order to reduce platform vulnerability. In addition, the Group plans to implement a variety of permanent solution repair methods to wells impacted by the P-seal design, which has caused well integrity issues in recent years.



Richard Hall
Managing Director, Global Operations and Developments

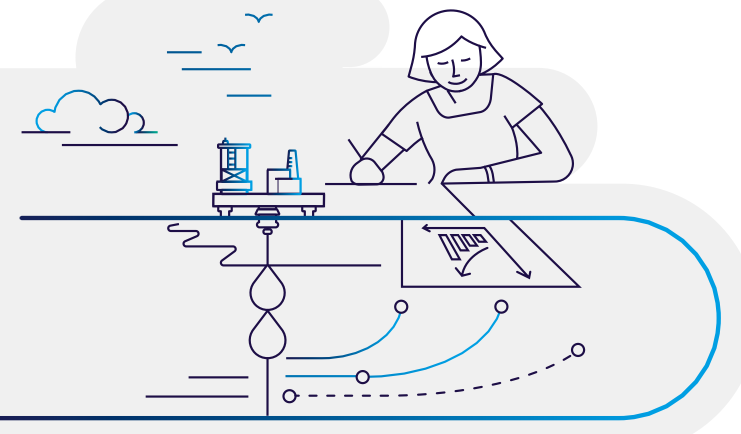
It is anticipated that three wells will be drilled in 2023, including a water injector to provide pressure support to the North West Magnus well, with the expectation that Magnus production will be higher than 2022. With 2C resources of c.35 MMboe, Magnus offers the Group significant low-cost, quick payback drilling opportunities in the medium term.

Kraken

2022 performance summary
Average gross production was at the top end of the Group's guidance range at 26,091 Boepd gross (18,394 Boepd net). Overall subsurface and well performance was good with aggregate water cut evolution remaining in line with expectations. The Floating, Production, Storage and Offloading ('FPSO') vessel continued to perform well throughout the year, with top-quartile production and water injection efficiency of 93%. The planned shutdown saw all key scopes completed ahead of schedule, having been optimised to facilitate single train processing train operations for one week of the two-week programme of activities.

During the fourth quarter of 2022, Kraken production reached the milestone of over 60 million barrels (gross) produced since inception.

The Group continues to optimise Kraken cargo sales into the shipping fuel market, with Kraken oil a key component of IMO 2020 compliant



low-sulphur fuel oil. While the Group has seen varied pricing within this market, 2022 sales again delivered a premium versus Brent pricing and avoided refining-related emissions.

2023 outlook
No shutdown is planned during 2023 but it is expected that two separate ten-day periods of single processing train operations will be undertaken in order to execute safety-critical maintenance work.

Near-field drilling and subsea tie-back opportunities continue to be assessed, with interpretation of 3D seismic data ongoing. In light of the direct impact of the EPL on the Group's available cash flow and the indirect contribution to underlying inflationary pressures through incentivisation of industry-wide investment within a defined timeline, the Group has delayed its plans to progress the Kraken drilling programme. With c.33 MMboe of 2C resources, there remains significant opportunity in terms of main field side-track drilling opportunities, along with further drilling within the Pembroke and Maureen sands, but the Group has delayed the decision to sanction investment until 2024 at the earliest. As such, Kraken production will be subject to natural decline in the coming years.

Golden Eagle

2022 performance summary
2022 net production was 6,323 Boepd. Production efficiency remained strong at around 95% although production rates were lower than forecast. EnQuest continues to work with the operator and the joint venture partners to identify opportunities to maximise rates.

The planned two-well infill drilling campaign is ongoing, but delayed. The first wellbore, having failed to locate reservoir-quality sands, was plugged and the well was side-tracked to the second target. Adverse weather conditions have resulted in expected first production from this well being deferred into the second quarter of 2023.

2023 outlook
Further to completion of the delayed 2022 drilling campaign, a platform well programme is expected to commence later in the year, subject to joint venture approval.

The operator has scheduled a shutdown of around two weeks in the summer of 2023, with subsequent major shutdowns expected to be required every two to three years.

"We aim to maintain strong production performance across our portfolio through a commitment to operational efficiency and effective execution of drilling, workover and production enhancement activities."

Richard Hall
Managing Director, Global Operations and Developments

Other Upstream assets

2022 performance summary
Production in 2022 averaged 3,443 Boepd, largely in line with expectations and reflecting strong uptime of 87% at the Greater Kittiwake Area.

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

In response to adverse changes to the EPL, several operators have begun to reconsider their capital programmes in the UK. In late 2022, EnQuest increased its equity interest in Bressay to 100%, following the withdrawal of Equinor and Harbour Energy.

2023 outlook
At GKA, a three-week shutdown is planned during the second quarter, as well as a short shutdown of related infrastructure.

At Alba, the partners expect to execute a well workover and a two infill well drilling programme during 2023, the first of which is due to deliver first oil during the third quarter.

At Bressay, EnQuest is actively exploring farm-down opportunities while continuing to progress development planning of the asset. EnQuest aims to utilise its expertise in heavy oil developments to access hydrocarbons at Bressay and Bentley, with each field having more than 100 MMboe of 2C resources.

Malaysia operations

Daily average net production (Boepd)

6,458
+28%
(2021: 5,028)

Daily average net entitlement (Boepd)

4,237
(2021: 3,356)

2022 performance summary
Average production of 6,458 Boepd was 28% higher than 2021. Production was boosted by a successful four-well workover campaign and the delivery of the Group's first three horizontal wells at PM8/Seligi being brought onstream, partially offset by natural declines and compressor downtime.

A three-well plug and abandonment ('P&A') campaign at PM8/Seligi was executed ahead of schedule, with costs delivered 30% below budget. In recognition of the success of the 2022 well workover and P&A campaign, EnQuest received three awards from Petronas for commitment to safety and use of new technology.

2023 outlook
A three-week shutdown at PM8/Seligi to undertake asset integrity and maintenance activities is planned for the summer, which will help to improve reliability and efficiency at the field. Well P&A work will also continue, primarily funded by a centralised investment fund to which EnQuest contributes, with six well abandonments planned for 2023.

EnQuest has significant 2P reserves and 2C resources of c.31 MMboe and c.80 MMboe, respectively, and continues to assess a potential 2023 drilling programme in Malaysia, with future multi-well annual drilling programmes planned.

The Group continues to work with the regulator to assess the opportunity to develop the additional gas resource at PM8/Seligi to meet forecast Malaysian demand.

At PM409, the Group plans to drill an exploration well in the middle of the year, in line with the work programme commitment.

Infrastructure and New Energy

Infrastructure

Operational excellence

Throughout 2022, the Group continued to deliver top-quartile operational and HSE performance at the Sullom Voe Terminal ('SVT'). SVT delivered 100% continuous uptime for East of Shetland and West of Shetland operations, while executing a number of operational risk reduction projects, including major inspections and replacing sections of pipeline.

Preparing for the future

The Group is now developing plans for a multi-year programme of projects which will right-size the terminal facilities for expected future throughput and prepare the way for the next phase of SVT operations, including new energy and decarbonisation activities. This programme of work will ensure EnQuest reduces the emissions footprint of the site and provides ongoing cost-effective and efficient support to East of Shetland and West of Shetland operators. The enhanced investment allowance associated with decarbonisation expenditure under the UK EPL is expected to support the delivery of these programmes.

New energy

Well positioned to deliver decarbonisation

EnQuest's new energy strategy is anchored in its unique infrastructure position and strong engineering and subsurface capability. The terminal site offers several unique competitive advantages, including a 1,000-acre industrial site with access to existing oil and gas pipeline infrastructure, a deep-water port and jetties, the highest wind capacity factor across Europe, and a highly skilled workforce and local supply chain. The Group aims to deliver on its ambitions to deliver decarbonisation opportunities at scale with strategic partners in a capital-light manner.

The first step in the process requires the existing site to be repurposed. A key enabler in this regard was the Group's success in securing exclusivity from the Shetland Islands Council to progress its proposed new energy opportunities on the Sullom Voe site in March 2022.

This provides EnQuest with a strong position from which to hold discussions with other potential strategic partners to piece together the component parts of each of the three key opportunities the Group has identified.

Salman Malik
Managing Director, Infrastructure and New Energy

Key projects

Carbon Capture and Storage ('CCS')

The availability of a natural deep-water port with four jetties, as well as a pipeline network linked to several well-understood offshore reservoirs, presents an exceptional opportunity to repurpose existing infrastructure and enable the import and permanent storage of material quantities of CO_2 from isolated emitters in the UK, Europe or further afield.

EnQuest has applied for two CCS licences for East of Shetland reservoirs as part of the North Sea Transition Authority ('NSTA') licensing round and has conducted initial phases of feasibility and economic screening work in respect of this carbon storage concept. These studies indicate the capability of the existing infrastructure, including the EnQuest-operated East of Shetland pipeline system, and storage sites to support a project that could store up to 10 million tonnes of CO_2 per annum, with initial studies suggesting the presence of total storage potential in excess of 500 million tonnes.

This quantity of potential carbon storage represents a multiple of the Group's existing direct emissions.

Electrification

EnQuest is assessing the potential to leverage its existing infrastructure and subsea projects expertise to facilitate the electrification of nearby offshore oil and gas assets and planned developments by way of a grid connection supplemented

by renewable power. EnQuest believes that this offers a robust and economically viable option to facilitate offshore electrification and would lead to significant emission reductions for platforms which are expected to operate into the 2050s. EnQuest remains in discussions with West of Shetland field owners, some of whom could take advantage of the EPL decarbonisation allowance available for this investment.

In addition, the Group is also currently assessing onshore wind potential and a new power solution for SVT, which has the potential to significantly reduce the Group's carbon footprint.

Hydrogen
EnQuest is exploring the potential for harnessing the advantaged natural wind resource around Shetland for the production of green hydrogen and derivatives at export scale to provide a low-carbon alternative fuel which could help to decarbonise a number of industries, with ambitions to produce around one million tonnes of green hydrogen annually.

CCS project storage
Up to (mtpa)
10

Total storage potential
In excess of (mtpa)
500

"EnQuest's new energy strategy is anchored in its unique infrastructure position and strong engineering and subsurface capability."

Salman Malik
Managing Director, Infrastructure and New Energy

Decommissioning

Performance summary

Within EnQuest's decommissioning directorate, 2022 was a year of demonstrating capability and public recognition of decommissioning excellence as EnQuest delivered one of the most productive decommissioning campaigns seen in the UK North Sea.

Well decommissioning

At both the Heather and Thistle fields, the extensive programme of well plug and abandonment ('P&A') continued apace. Thistle successfully abandoned 13 wells while Heather executed 11 wells, with partial completion of a further four wells by year end. In addition, five wells have been plugged and abandoned during the first quarter of 2023. The Heather project team is looking for further opportunities to perform P&A activities without the use of the main platform rig, which will further underpin its expectation that the target to disembark the platform in the fourth quarter of 2024 will be met. At Thistle, the team aim to complete disembarkation by the end of the third quarter of 2025. Both assets remain on track to meet their post-cessation of production well P&A targets of 39 wells at Heather by mid-2024, and 41 wells at Thistle by the end of the fourth quarter of 2024.

EnQuest is also planning the P&A of 33 subsea wells at the Alma/Galia, Dons and Broom fields and aims to be execution-ready during the second quarter of 2024. The EnQuest team is working on the basis that subsea decommissioning activities can be optimised by utilising a portfolio approach across the fields.

Heavy Lift Awards

The Heather and Thistle project teams successfully secured partnership funding for the next phase of their decommissioning programmes, with both assets remaining focused on preparing their respective topside modules for removal. To this end, Heather has secured the Allseas Pioneering Spirit to execute the heavy lift of the platform topsides, from 2025 onwards. Advanced preparatory work is ongoing, with the project team working closely with Allseas to ensure full understanding and integration of the necessary work-scopes in advance of platform disembarkation. In addition, EnQuest has awarded the contract for the Heather jacket removal to Saipem from 2026 onwards, with the early placing of this contract securing favourable market rates and allowing for the interface with topsides and conductor removal scopes to be optimised.

John Allan
Decommissioning Director

The process to award the contract for Thistle topsides removal is nearing completion and is expected to be announced in the coming months. The lift itself, which will take place from 2026 onwards, will see all 32 modules of the Thistle platform moved onto the heavy lift vessel and returned to shore in four separate voyages. Throughout 2023 and 2024, the project team will be focused on the engineering required to prepare for the heavy lift as well as opportunities to reduce schedule and beat cost and delivery targets.

Given increased competition in the heavy lift vessel market, with the evolution of several large-scale renewable projects being sanctioned by the governments of European countries, EnQuest will manage the execution of the heavy lift scopes within multi-year windows in order to retain flexibility and mitigate availability concern.

CASE STUDY:

Excellence in decommissioning

EnQuest wins industry award for Northern Producer decommissioning project
EnQuest's Northern Producer decommissioning team were the winners of the Offshore Energies UK ('OEUK') Award for Excellence in Decommissioning in November 2022, at a ceremony held in St Andrews, Scotland as part of the Offshore Decommissioning conference.

Commitment to learning
EnQuest was praised for its collaborative working approach and commitment to learning on this project at EnQuest's Dons fields, following on from the decommissioning of EnQuest's Alma/Galia fields in 2021. The Northern Producer Floating Production Facility ('FPF') was returned to its owners in just 45 days following cessation of production and safely towed to Kishorn on Scotland's west coast.

Thistle successfully abandoned

13

wells while Heather executed

11

wells, with partial completion of a further four wells by year end

Decommissioning excellence
In recognition of the Group's top-quartile project delivery, EnQuest secured the Offshore Energies UK ('OEUK') Award for Excellence in Decommissioning for its work on the Northern Producer off-station project at the Dons fields.

The prompt and efficient removal and decommissioning of the Northern Producer Floating Production Facility ('FPF') at the field enabled post-cessation of production operating expenditure to be minimised and, with the field being gas deficient, facilitated a significant reduction in diesel consumption and subsequent carbon emissions.

> **"2022 was a year of demonstrating decommissioning capability as EnQuest delivered one of the most productive campaigns seen in the UK North Sea."**

John Allan
Decommissioning Director

Oil and gas reserves and resources

ENQUEST OIL AND GAS RESERVES AND RESOURCES

	UKCS		Other regions		Total
	MMboe	MMboe	MMboe	MMboe	MMboe
Proven and probable reserves[1, 2, 3, 4, 11]					
At 31 December 2021		174		20	194
Revisions of previous estimates	(3)		(4)		
Transfers from contingent resources[5]	4		5		
		1		1	2
Production:					
Export meter	(15)		(2)		
Volume adjustments[6]	0		–		
		(15)		(2)	(17)
Total proven and probable reserves at 31 December 2021		160		19	179
Change in reporting basis to working interest[7]		–		11	11
Total proven and probable reserves at 31 December 2022[8]		160		30	190
Contingent resources[2, 9, 11]					
At 31 December 2021		316		86	402
Promoted to reserves[10]		(4)		(5)	(9)
Total contingent resources at 31 December 2022		312		81	393

Notes:
1 Opening reserves are quoted on a net entitlement basis
2 Proven and probable ('2P') reserves and contingent resources ('2C') have been assessed by the Group's internal reservoir engineers, utilising geological, geophysical, engineering and financial data
3 The Group's 2P reserves have been audited by a recognised Competent Person in accordance with the definitions set out under the 2018 Petroleum Resources Management System and supporting guidelines issued by the Society of Petroleum Engineers. These are based on a different set of forward price assumptions to those the Group has used for impairment testing resulting in different economic reserves
4 All UKCS volumes are presented pre-Sullom Voe Terminal ('SVT') value adjustment. EnQuest reports export volumes and excludes the minor quality adjustment made when those UKCS volumes are blended at SVT with oil from other fields
5 Transfers from 2C resources at Magnus, Golden Eagle and PM8/Seligi
6 Correction of export to sales volumes of 0.2 MMboe
7 EnQuest has changed its reporting of Malaysian 2P reserves to a working interest basis to align with peer reporting (from an entitlement interest basis)
8 The above 2P reserves include volumes that will be consumed as fuel gas, including c.6.7 MMboe at Magnus, c.0.6 MMboe at Kraken and c.0.4 MMboe at Golden Eagle
9 Contingent resources are quoted on a working interest basis and relate to technically recoverable hydrocarbons for which commerciality has not yet been determined and are stated on a best technical case or 2C basis
10 Magnus, Golden Eagle and PM8/Seligi opportunity maturation
11 Rounding may apply

Hydrocarbon assets

ENQUEST'S ASSET BASE AS AT 31 DECEMBER 2022

Licence	Block(s)	Working interest (%)	Name	Decommissioning obligation (%)
UK North Sea Upstream production and development				
P193	211/7a & 211/12a	100.0[1]	Magnus	30.0[2]
P1077	9/2b	70.5	Kraken & Kraken North	As per working interests
P1107/P1617	21/8a, 21/12c & 21/13a	50.0	Scolty/Crathes	As per working interests
P238[3]	21/18a, 21/19a & 21/19b	50.0	Kittiwake	25.0
		50.0	Mallard	30.9
		50.0	Grouse & Gadwall	As per working interests
P073	21/12a	50.0	Goosander	As per working interests
P213[4]	16/26a	8.0	Alba	As per working interests
P234/P493/P920/P977	3/28a, 3/28b, 3/27b, 9/2a, 9/3a	100.0[5]	Bressay	n/a
P1078	9/3b	100.0	Bentley	n/a
P300/P928[4]	14/26a, 20/1a	26.69	Golden Eagle	As per working interests
UK North Sea Decommissioning				
P242	2/5a	n/a	Heather	37.5
P242/P902	2/5a & 2/4a	n/a	Broom	63.0
P475	211/19s	n/a	Thistle	6.1[6]
P236	211/18a	n/a	Thistle/Deveron	6.1[6]
P236	211/18c	n/a	Don SW & Conrie	60.0
P236/P1200	211/18b & 211/13b	n/a	West Don	78.6
P2137	211/18e & 211/19c	n/a	Ythan	60.0
P1765/P1825	30/24c & 30/25c, 30/24b	n/a	Alma/Galia	65.0
Other UK North Sea licences				
P90[4]	9/15a	33.3		n/a
P2531[7]	21/18c	100.0		n/a
P2599[7]	211/12b	100.0		n/a
Malaysia production and development				
PM8/Seligi[8]	PM8 Extension	50.0	Seligi, North & South Raya, Lawang, Langat, Yong & Serudon	50.0
PM409 PSC	PM409	85.0	Kecubung, Tinggi Timur, Payung, NW Pinang, Tg. Pulai, Ophir	n/a

Notes:
1 bp has a security over the Magnus asset (and related infrastructure assets) and is entitled to 37.5% of free cash flow from the assets subject to the terms of the transaction documents between bp and EnQuest
2 bp has retained the decommissioning liability in respect of the existing Magnus wells and infrastructure. EnQuest will pay bp additional deferred consideration by reference to 30% of bp's actual decommissioning costs on an after-tax basis, which EnQuest estimates will result in a payment equivalent to approximately 9% of the gross estimated decommissioning costs. The additional consideration payable is capped at the amount of cumulative positive cash flows received by EnQuest from Magnus, SVT and the associated infrastructure assets
3 Following an unsuccessful farm-down process and no immediate plans for development, EnQuest's equity interest in the Eagle discovery was withdrawn by the North Sea Transition Authority on 31 October 2022
4 Non-operated
5 Effective 16 December 2022, EnQuest assumed 100.0% operatorship following the withdrawal of Equinor and Harbour Energy. EnQuest is actively exploring farm-down opportunities while continuing to progress development planning of the asset
6 EnQuest is liable for the decommissioning costs associated with investment since it assumed operatorship, with the balance remaining with the former owners. Following the exercise of the Thistle decommissioning options in January and October 2018, EnQuest will undertake the management of the physical decommissioning of Thistle and Deveron and is liable to make payments to bp by reference to 7.5% of bp's decommissioning costs of Thistle and Deveron, which equates to 6.1% of the gross decommissioning costs
7 These licences are expected to be relinquished by the end of the first quarter of 2023
8 The official reference is PM-8 Extension PSC, commonly referred to elsewhere as PM8/Seligi

Record cash generation

Salman Malik
Chief Financial Officer

Free cash flow
$ million[1]

518.9

EnQuest net debt
$ million[1]

717.1

1 See reconciliation of alternative performance measures within the 'Glossary - Non-GAAP measures' starting on page 175

All figures quoted are in US Dollars and relate to Business performance unless otherwise stated.

Introduction

Shortly after becoming Chief Financial Officer, I set out my financial priorities for the Company and I am pleased with the progress we made during 2022. Strong free cash flows of $518.9 million in 2022 enabled a 41.3% reduction in EnQuest net debt, which was reduced by $504.9 million to $717.1 million (2021: $1,222.0 million). This rapid deleveraging has helped the Group make excellent progress towards its EnQuest net debt to adjusted EBITDA leverage target of 0.5x. The Group's debt facilities have also been comprehensively refinanced during 2022, reducing the level of gross borrowings and extending maturities by five years to 2027. This was a significant achievement given the volatile backdrop in financial markets.

Lower than planned spend has been driven by operational excellence, strong financial discipline and a focus on near-term value-accretive activities, including extensive well programmes at Magnus and PM8/ Seligi. During 2022, EnQuest delivered one of the most productive well decommissioning campaigns seen in the UK North Sea and good progress was made in advancing the Group's new energy and decarbonisation opportunities in a capital-light manner.

The Group retains a significant tax loss position which provides it with a strategic advantage in the UK North Sea, enhancing the relative value of assets in EnQuest's hands when compared to other tax paying participants. Following the introduction and subsequent changes to the UK Energy Profits Levy ('EPL'), this relative value advantage has increased, and the Group is confident it will be able to continue its track record of value-accretive acquisitions as other North Sea participants look to exit the basin. The incentives associated with decarbonisation expenditure could also help underpin elements of the Group's plans to repurpose the Sullom Voe Terminal into one of the largest new energy hubs in Europe. However, the EPL has resulted in a reduced reserve based lending ('RBL') facility resulting in the Group optimising its capital programme, focussing on quick-payback investments. We continue to prioritise continued deleveraging through 2023, with $118.0 million of the RBL facility repaid in the first quarter, with shareholder returns expected to follow in the future.

> "I am pleased with the progress we made against our strategic financial priorities, with significant debt reduction and the refinancing of our capital structure during 2022."

Performance overview

Production on a working interest basis increased by 6.4% to 47,259 Boepd, compared to 44,415 Boepd in 2021 driven by a full year's contribution from Golden Eagle and improved performances at Magnus and PM8/Seligi, reflecting successful well programmes. Production at Kraken was lower year-on-year but remained at the top end of market guidance.

Revenue for 2022 was $1,839.1 million, 39.3% higher than in 2021 ($1,320.3 million), primarily reflecting higher realised prices and higher production. The Group's commodity hedge programme resulted in realised losses of $203.7 million in 2022 (2021: losses of $67.7 million), which reflected the timing at which the hedges were entered into and the increase in market prices during the year, particularly following the Russian invasion of Ukraine. See note 27 for further information on the Group's hedging position.

The Group's operating expenditures of $396.5 million were 23.5% higher than in 2021 ($321.0 million). This was primarily due to higher production costs, including the full-year impact of Golden Eagle, higher fuel and emission trading allowance costs due to higher market prices and lower lease charter credits, reflecting high uptime at Kraken driven by the continued strong performance of the FPSO. This was partially offset by a weakening of the Sterling to US Dollar exchange rate, with c.70% of the Group's costs denominated in Sterling. Unit operating costs (excluding hedging) increased to $22.7/Boe (2021: $20.5/Boe).

Other costs of operations of $487.8 million were significantly higher than in 2021 ($211.5 million), predominantly as a result of higher Magnus-related third-party gas purchases of $452.8 million (2021: $199.6 million) due to the increase in associated market prices.

With the Group reversing the previous year's net overlift position, a credit relating to the Group's lifting position and inventory of $15.6 million was recognised (2021: charge of $62.3 million).

Adjusted EBITDA for 2022 was $979.1 million, up 31.8% compared to 2021 ($742.9 million), primarily as a result of higher revenue partially offset by higher costs. EnQuest net debt to adjusted EBITDA ratio at 31 December 2022 was 0.7x, down more than 50% from 1.6x at 31 December 2021.

	2022 $ million	2021 $ million
Profit/(loss) from operations before tax and finance income/(costs)	**709.2**	443.2
Depletion and depreciation	**333.2**	313.1
Change in provision	**(42.8)**	(13.1)
Change in well inventories	**0.8**	0.1
Net foreign exchange (gain)/loss	**(21.3)**	(0.4)
Adjusted EBITDA	**979.1**	742.9

EnQuest net debt decreased by $504.9 million to $717.1 million at 31 December 2022 (31 December 2021: $1,222.0 million). EnQuest net debt includes $25.1 million of payment in kind ('PIK') interest that has been capitalised to the principal of the bond facilities pursuant to the terms of the Group's November 2016 refinancing (31 December 2021: $225.0 million) (see note 18 for further details).

	EnQuest net debt/(cash)[1]	
	31 December 2022 $ million	31 December 2021 $ million
Bonds	**600.7**	1,083.8
RBL	**400.0**	415.0
SVT working capital facility	**12.3**	9.9
Vendor loan facility	**5.7**	–
Cash and cash equivalents	**(301.6)**	(286.7)
EnQuest net debt	**717.1**	1,222.0

Note:
1 See reconciliation of alternative performance measures within the 'Glossary – Non-GAAP measures' starting on page 175

During 2022, strong free cash flows enabled the Group to make early voluntary repayments on its previous RBL facility, resulting in the balance being repaid in full. In October, the facility was refinanced with commitments of $500.0 million.

In April 2022, the Group partially refinanced its 7% Sterling retail bond ('7.00% retail bond') through an exchange and open offer. The principal of the new 9% Sterling retail bond ('9.00% retail bond') raised was £133.3 million, made up of £79.3 million of exchanges from the 7.00% retail bond and £54.0 million from new bond holders.

In July and August, the Group bought back and cancelled $34.9 million of its 2023 7.00% high yield bond, leaving $792.3 million outstanding. This was subsequently repaid in full in October 2022, along with outstanding interest of $1.5 million due at the time of repayment, utilising $400.0 million of drawdowns from the Group's refinanced RBL, operating cash flows of $97.5 million and the net proceeds from the issue of a new US Dollar high yield bond ('11.625% high yield bond') of $296.3 million.

See note 18 for further information on the Group's loans and borrowings.

In July 2022, the EPL was enacted in the UK which applied an additional tax of 25% on the profits earned by oil and gas companies from the production of oil and gas on the United Kingdom Continental Shelf. In November 2022, the EPL percentage was increased to 35% from 1 January 2023 and the end date was extended from 31 December 2025 to 31 March 2028. As such, the Group has estimated a current tax charge of $72.1 million (2021: $nil) associated with the EPL for 2022. The Group has also recognised a total net deferred tax charge of $153.7 million at 31 December 2022 (31 December 2021: $nil), with a $25.2 million credit recognised in Business performance and $178.9 million charge in Remeasurements and exceptional items.

The Group has recognised UK North Sea corporate tax losses at the end of 2022 of $2,497.7 million (2021: $3,011.0 million). Unrecognised tax losses are disclosed in note 7(d) on page 142. In the current environment, no significant corporation tax or supplementary charge is expected to be paid on UK operational activities for the foreseeable future. The Group paid its first instalment associated with the EPL in December 2022 and will continue to make EPL payments for the duration of the levy. The Group also paid cash corporate income tax on the Malaysian assets, which will continue throughout the life of the Production Sharing Contract.

Income statement

Revenue

Market prices for crude oil and gas in 2022 were significantly higher than in 2021 driven by increasing global demand as COVID-19 restrictions began easing, combined with supply concerns brought about by years of underinvestment and amplified by the Russian invasion of Ukraine and the associated subsequent sanctions imposed on Russia. The Group's average realised oil price excluding the impact of hedging was $102.6/bbl, 40.5% higher than in 2021 ($73.0/bbl). Revenue is predominantly derived from crude oil sales, which totalled $1,517.7 million, 33.2% higher than in 2021 ($1,139.2 million), reflecting the significantly higher oil prices and the contribution from Golden Eagle. Revenue from the sale of condensate and gas, primarily in relation to the onward sale of third-party gas purchases not required for injection activities at Magnus, was $514.2 million (2021: $244.1 million), reflecting significantly higher prices. Tariffs and other income generated $11.0 million (2021: $4.7 million). The Group's commodity hedges and other oil derivatives contributed $203.7 million of realised losses (2021: losses of $67.7 million) as a result of the timing of entering into the hedges. The Group's average realised oil price including the impact of hedging was $88.9/bbl in 2022, 29.6% higher than in 2021 ($68.6/bbl).

Note: For the reconciliation of realised oil prices see 'Glossary – Non-GAAP measures' starting on page 175

Cost of sales[1]

	2022 $ million	2021 $ million
Production costs	**347.8**	292.3
Tariff and transportation expenses	**43.3**	39.4
Realised loss/(gain) on derivatives related to operating costs	**5.4**	(10.7)
Operating costs	**396.5**	321.0
(Credit)/charge relating to the Group's lifting position and inventory	**(15.6)**	62.3
Depletion of oil and gas assets	**327.0**	305.6
Other cost of operations	**487.9**	211.5
Cost of sales	**1,195.8**	900.4
Unit operating cost[2]	**$/Boe**	$/Boe
– Production costs	**20.2**	18.1
– Tariff and transportation expenses	**2.5**	2.4
Average unit operating cost	**22.7**	20.5

Notes:
1 See reconciliation of alternative performance measures within the 'Glossary – Non-GAAP measures' starting on page 175
2 Calculated on a working interest basis

Cost of sales were $1,195.8 million for the year ended 31 December 2022, 32.8% higher than in 2021 ($900.4 million).

Operating costs increased by $75.5 million, primarily reflecting higher production costs, including the full-year impact of Golden Eagle, higher fuel and emission trading allowance costs due to higher market prices and lower lease charter credits, reflecting high uptime at Kraken driven by the continued strong performance of the FPSO. This was partially offset by a weakening of the Sterling to US Dollar exchange rate with c.70% of the Group's costs denominated in Sterling. Unit operating costs (excluding hedging) increased by 10.7% to $22.7/Boe (2021: $20.5/Boe), reflecting higher operating costs. Unit operating costs including hedging were $23.0/Boe (2021: $19.8/Boe).

The credit relating to the Group's lifting position and inventory was $15.6 million (2021: charge of $62.3 million). This primarily reflects the reversal of the net overlift position of $18.0 million at 31 December 2021, resulting in a $0.8 million net underlift position at 31 December 2022. Depletion expense of $327.0 million was 7% higher than in 2021 ($305.6 million), mainly reflecting the impact of Golden Eagle.

Other cost of operations of $487.9 million were materially higher than in 2021 ($211.5 million), principally as a result of higher Magnus-related third-party gas purchases of $452.8 million (2021: $199.6 million) following the increase in associated market prices.

Other income and expenses

Net other income of $73.4 million (2021: net other income of $23.7 million) is predominantly due to a net decrease in the decommissioning provision of fully impaired non-producing assets of $42.8 million (including the Thistle decommissioning linked liability) due to higher discount rates and a favourable movement in the Sterling to US Dollar balance sheet exchange rate, which has also resulted in further favourable foreign exchange credits recognised of $21.3 million. Also included within other expenses are costs associated with Infrastructure and New Energy of $1.2 million.

Finance costs
Finance costs of $176.2 million were 4.0% higher than in 2021 ($169.5 million). This increase was primarily driven by fees associated with the retail bond transaction and the amortisation of arrangement fees of $35.3 million associated with the Group's refinancing activities (2021: $13.6 million associated with the 2021 RBL facility refinancing). This increase has been partially offset by the reduction of $5.3 million in interest charges associated with the Group's loans (2022: $14.9 million; 2021: $20.2 million) and a $6.8 million decrease in bond interest (2022: $63.3 million; 2021: $69.1 million). Other finance costs included lease liability interest of $39.2 million (2021: $45.4 million), $17.8 million on unwinding of discount on decommissioning and other provisions (2021: $16.9 million), and other financial expenses of $6.8 million (2021: $4.3 million), primarily being the cost for surety bonds to provide security for decommissioning liabilities.

Taxation
The tax charge for 2022 of $322.4 million (2021: $53.7 million tax charge), excluding remeasurements and exceptional items, reflects the tax impact on the Group's increased profit before tax and the enactment of the UK EPL. Ring Fence Expenditure Supplement ('RFES') on UK activities, which would historically have provided an offset to the UK tax charge, ceased to be available to claim from the end of 2021.

Remeasurements and exceptional items
Remeasurements and exceptional items resulting in a post-tax net loss of $253.6 million have been disclosed separately for the year ended 31 December 2022 (2021: post-tax gain of $156.7 million).

Revenue included unrealised gains of $14.5 million in respect of the mark-to-market movement on the Group's commodity contracts, primarily reflecting the recycling of 2021 unrealised hedge losses into Business performance during 2022 (2021: unrealised losses of $54.5 million).

Cost of sales included unrealised losses of $4.9 million relating to the mark-to-market movement on the Group's foreign exchange contracts (2021: unrealised gains of $0.5 million).

A non-cash net impairment charge of $81.0 million (2021: $39.7 million reversal) on the Group's oil and gas assets arose from the impact on future cash flows following the introduction of the EPL, updated asset profiles and a higher discount rate, partially offset by higher forecast oil prices.

Other income includes $6.6 million of insurance proceeds received in respect of the Malaysia riser repairs (2021: $9.0 million). Other expense includes a $233.6 million charge in relation to the fair value recalculation of the Magnus contingent consideration, reflecting a forecast increase in Magnus future cash flows due to higher forecast oil prices and asset profile and cost assumption changes (2021: $140.1 million gain).

Other finance costs mainly relate to the unwinding of discount on contingent consideration from the acquisition of Magnus and associated infrastructure of $36.4 million (2021: $58.4 million). Other finance income reflects the gain recognised on buy back and cancellation of $34.9 million of the Group's 7.00% high yield bond.

A net tax credit of $78.0 million (2021: credit of $78.2 million) has been presented as exceptional, representing the tax effect on the items above and the non-cash recognition of undiscounted deferred tax assets of $127.0 million given the net effect of the Group's higher long-term oil price assumptions and changes in asset profiles, partially offset by the initial recognition of the deferred tax liability associated with the EPL of $178.3 million. EnQuest has recognised UK North Sea corporate tax losses of $2,497.7 million at 31 December 2022, with unrecognised tax losses disclosed in note 7(d) on page 142.

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

IFRS revenue reflects the Group's Business performance revenue, but it is adjusted for the impact of unrealised movements on derivative commodity contracts. Business performance cost of sales is similarly adjusted for the impact of unrealised movements on derivative contracts. Taking account of these items, and the other exceptional items included within the Group income statement, which are principally related to impairment charges and the change in fair value of contingent consideration payable, the Group's IFRS profit from operations before tax and finance costs was $411.9 million (2021: profit of $580.0 million), IFRS profit before tax was $203.2 million (2021: profit of $352.4 million), and IFRS loss after tax was $41.2 million (2021: profit of $377.0 million). This IFRS loss after tax was primarily driven by the initial recognition of deferred tax liability following the introduction of the EPL.

Earnings per share
The Group's Business performance basic earnings per share was 11.4 cents (2021: 12.7 cents) and diluted earnings per share was 11.2 cents (2021: 12.5 cents).

The Group's reported basic loss per share was 2.2 cents (2021: earnings of 21.7 cents) and reported diluted loss per share was 2.2 cents (2021: diluted earnings of 21.4 cents).

Cash flow and liquidity
EnQuest net debt at 31 December 2022 amounted to $717.1 million, including PIK of $25.1 million, compared with EnQuest net debt of $1,222.0 million at 31 December 2021, including PIK of $225.5 million. The movement in EnQuest net debt was as follows:

	$ million
EnQuest net debt 1 January 2022	**(1,222.0)**
Net cash flows from operating activities	931.6
Cash capital expenditure	(115.8)
Magnus profit share payments	(46.0)
Finance lease payments	(148.0)
Net interest and finance costs paid	(101.6)
Other movements, primarily net foreign exchange on cash and debt	(15.3)
EnQuest net debt 31 December 2022[1]	**(717.1)**

Note:
1 See reconciliation of alternative performance measures within the 'Glossary – Non-GAAP measures' starting on page 175

The Group's reported net cash flows from operating activities for the year ended 31 December 2022 were $931.6 million, up 38.2% compared to 2021 ($674.1 million), primarily driven by materially higher revenue.

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

	Year ended 31 December 2022 $ million	Year ended 31 December 2021 $ million
North Sea	**85.5**	35.9
Malaysia	**26.5**	14.8
Exploration and evaluation	**3.8**	1.1
	115.8	51.8

Cash capital expenditure in 2022 primarily related to Magnus and PM8/Seligi well campaigns.

Balance sheet

The Group's total asset value has decreased by $341.3 million to $4,024.3 million at 31 December 2022 (2021: $4,365.6 million), predominantly due to depletion and impairment charges on the oil and gas assets. Net current liabilities have increased to $435.3 million as at 31 December 2022 (2021: $333.1 million).

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

PP&E has decreased by $345.0 million to $2,477.0 million at 31 December 2022 from $2,822.0 million at 31 December 2021 (see note 10). This decrease includes depletion and depreciation charges of $333.2 million, non-cash net impairment charges of $81.0 million and a net decrease of $75.9 million for changes in estimates for decommissioning and other provisions, partially offset by other capital additions to PP&E of $146.7 million.

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

	$ million
North Sea	107.7
Malaysia	39.0
	146.7

Trade and other receivables

Trade and other receivables decreased by $19.7 million to $276.4 million at 31 December 2022 (2021: $296.1 million). The decrease is driven by the timing of cargoes and associated receipts lifted in December each year.

Cash and EnQuest net debt

The Group had $301.6 million of cash and cash equivalents at 31 December 2022 and $717.1 million of EnQuest net debt (2021: $286.7 million and $1,222.0 million, respectively).

EnQuest net debt comprises the following liabilities:

- $134.5 million principal outstanding on the 7.00% retail bond, including PIK of $25.1 million (2021: $256.2 million and $47.9 million, respectively);
- $161.2 million principal outstanding on the 9.00% retail bond;
- $nil principal outstanding on the 7.00% high yield bond (2021: principal $827.2 million including PIK of $177.2 million);
- $305.0 million principal outstanding on the 11.625% high yield bond;
- $400.0 million drawn down on the refinanced RBL (2021: $415.0 million);
- $12.3 million relating to the SVT Working Capital Facility (2021: $9.9 million); and
- $5.7 million relating to a Vendor Loan Facility (2021: $nil).

Provisions

The Group's decommissioning provision decreased by $144.1 million to $691.6 million at 31 December 2022 (2021: $835.7 million). The movement is due to a reduction in estimates of $115.5 million, reflecting an increase in discount rate (see notes 2 and 23) and a favourable movement in the Sterling to US Dollar balance sheet exchange rate, utilisation of $48.5 million for decommissioning carried out in the year, partially offset by $17.0 million unwinding of discount and additions of $2.8 million.

Other provisions, including the Thistle decommissioning provision, decreased by $13.1 million in 2022 to $46.1 million (2021: $59.2 million). The Thistle decommissioning provision of $32.7 million (2021: $43.9 million) is in relation to EnQuest's obligation to make payments to bp by reference to 7.5% of bp's decommissioning costs of the Thistle and Deveron fields.

Contingent consideration

The contingent consideration related to the Magnus acquisition increased by $222.1 million. In 2022, EnQuest paid $46.0 million to bp under the profit sharing mechanism (2021: $74.7 million, including $73.7 million of accelerated vendor loan repayment and $1.0 million under the profit sharing mechanism). A change in fair value estimate charge of $233.6 million (2021: $140.1 million credit) and finance costs of $34.5 million (2021: $58.4 million) were recognised in the year.

The contingent consideration related to the Golden Eagle acquisition in 2021 increased by $3.2 million to $48.3 million (2021: $45.2 million). The increase represents unwind of discount and is disclosed in finance costs.

Income tax

The Group had a net income tax payable of $37.7 million (2021: $3.6 million payable) primarily related to the remaining EPL payment due in relation to the 2022 charge.

Deferred tax

The Group's net deferred tax asset has decreased from $699.6 million at 31 December 2021 to $539.5 million at 31 December 2022. This is primarily driven by the initial recognition of the net deferred tax liability of $178.3 million associated with the EPL and utilisation of tax losses, partially offset by the non-cash recognition of $127.0 million of undiscounted deferred tax assets given the Group's higher long-term oil price assumptions and changes in asset profiles. EnQuest has recognised UK corporate tax losses carried forward at 31 December 2022 amounting to $2,497.7 million (31 December 2021: $3,011.0 million), with unrecognised tax losses disclosed in note 7(d) on page 142.

Trade and other payables

Trade and other payables of $426.6 million at 31 December 2022 are $7.4 million higher than at 31 December 2021 ($420.5 million). The full balance of $426.6 million is payable within one year.

Financial risk management

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

Going concern disclosure

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

During 2022, the Group successfully completed a refinancing of its debt facilities, securing a $500.0 million amended and restated reserve based lending facility ('RBL') with a $300.0 million accordion maturing in April 2027 and $305.0 million 11.625% high yield bond maturing in November 2027. The net proceeds from the issue of the high yield bond, along with drawings of $400.0 million under the RBL and cash on hand, were used for the redemption of the $792.3 million aggregate principal amount of the Company's 7.00% high yield bond due 2023. This refinancing was in addition to the 9.00% retail bond exchange and issuance in April 2022 which resulted in a principal issue of £133.3 million. £111.3 million of the October 2023 7.00% retail bond remains in issue.

The RBL requires completion of a semi-annual review and redetermination on 30 June and 31 December each year. The amount available to draw under the RBL is based on an amortisation schedule and the borrowing base availability derived from the semi-annual review.

The RBL review and redetermination for the first half of 2023 was updated to include the increase in the EPL rate to 35%, extension of duration until March 2028 and removal of the windfall tax price floor introduced in the Autumn Statement 2022. This has resulted in a reduction of the available RBL capacity, and therefore liquidity available to the Group. In the first quarter of 2023, EnQuest repaid $118.0 million of the RBL facility, bringing the cash drawn balance down to $282.0 million, ensuring the Group remains ahead of the amended amortisation profile. The amended RBL repayment profile includes a further c.$100.0 million RBL deleveraging during the going concern period.

The Group's latest approved business plan, which includes the aforementioned RBL redetermination, underpins management's base case ('Base Case') and is in line with the Group's production guidance and uses oil price assumptions of $78.5/bbl for 2023 and 2024, adjusted for hedging activity undertaken.

The Base Case indicates that the Group is able to operate as a going concern and remain covenant compliant for 12 months from the date of publication of its full-year results. The Base Case reflects rapid deleveraging during the period, with redemption of the £111.3 million 7% retail bond in October 2023 and further RBL amortisations totalling c.$100.0 million, in addition to a $50.0 million contingent consideration payment in relation to the Golden Eagle acquisition in July 2023.

A reverse stress test has been performed on the Base Case. Given the rapid deleveraging required under the amended amortisation profile within the going concern period, an oil price of c.$77.0/bbl maintains covenant compliance.

The Base Case has also been subjected to further testing through (i) a $5.00/bbl reduction in the average price from the Base case; and (ii) a scenario reflecting the impact of the following plausible downside risks (the 'Downside Case'):

- 10.0% discount to Base Case prices resulting in Downside Case prices of $70.7/bbl for 2023 and 2024;
- Production risking of 5.0% for 2023 and 2024; and
- 2.5% increase in operating costs.

The case with $5.00/bbl reduction in the average price from the Base Case and the Downside Case indicates that mitigants would be required. Should circumstances arise that differ from the Group's Base Case projections, the Directors believe that several mitigating actions, including cargo prepayment or other funding options, can be executed successfully in the necessary timeframe to meet debt repayment obligations as they become due and maintain liquidity.

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

Viability statement

The Directors have assessed the viability of the Group over a three-year period to March 2026. The viability assumptions are consistent with the going concern assessment, with the additional inclusion of an oil price of $75.0/bbl for 2025 and a longer-term price of $70.0/bbl from 2026 in the Base Case and consistent plausible downside risks applied in a Downside Case. This assessment has taken into account the Group's financial position as at 4 April 2023, its future projections and the Group's principal risks and uncertainties. The Directors' approach to risk management, their assessment of the Group's principal risks and uncertainties, which includes potential impacts from climate change concerns and related regulatory developments, and the actions management are taking to mitigate these risks are outlined on pages 40 to 51. The period of three years is deemed appropriate as it is the time horizon across which management constructs a detailed plan against which business performance is measured. Based on the Group's projections the Directors have a reasonable expectation that the Group can continue in operation and meet its liabilities as they fall due over the period to April 2026.

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

Oil price volatility
A decline in oil prices would adversely affect the Group's operations and financial condition. To mitigate oil price volatility, the Directors have hedged a total of 7.9 MMbbls for 2023, using costless collars and puts. The costless collars have an average floor price of c.$58.0/bbl and an average ceiling price associated with 3.3 MMbbls of costless collars is c.$75.50/bbl. For 2024, the Group has hedged a total of 3.2 MMbbls through puts, with an average floor price of c.$60.0/bbl. The Directors, in line with Group policy and the terms of its RBL facility, will continue to pursue hedging at the appropriate time and price.

Fiscal risk and government take
Unanticipated changes in the regulatory or fiscal environment can affect the Group's ability to access funding and liquidity. The change to the UK EPL introduced in the Autumn Statement 2022 materially impacted the RBL borrowing base and associated amortisation schedule. The amended amortisation schedule is assumed in the Base Case.

Access to funding
Prolonged low oil prices, cost increases, production delays or outages and changes to the fiscal environment could threaten the Group's liquidity and access to funding.

The Directors recognise the importance of ensuring medium term liquidity. The maturity date of the $305.0 million high yield bond and the £133.3 million 9.00% retail bonds is November 2027, providing a material level of funding beyond the viability period. As stated above, the amendments to EPL impacted the RBL amortisation schedule, which is reflected in the Base Case. The Group will continue to prioritise debt reduction from free cash flows to ensure it remains ahead of this amended amortisation profile.

In assessing viability, the Directors recognise that in a Downside Case additional liquidity would be required, which may necessitate asset sales or other financing or funding options. Given the extended duration of the viability period, the Directors believe such measures can be executed successfully in the necessary timeframe to meet debt repayment obligations as they become due and maintain liquidity.

Notwithstanding the principal risks and uncertainties described above, after making enquiries and assessing the progress against the forecast, projections and the status of the mitigating actions referred to above, the Directors have a reasonable expectation that the Group can continue in operation and meet its commitments as they fall due over the viability period ending April 2026. Accordingly, the Directors therefore support this viability statement.

Group non-financial information statement

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

Environmental (see pages 30 to 33, and 53 to 60)

- At the core of EnQuest's Values is SAFE Results with no harm to people and respect for the environment
- EnQuest's Environmental Management System ('EMS') ensures the Group's activities are undertaken in such a way that it manages and mitigates its impact on the environment. The EMS meets both the requirements of OSPAR and the International Organization for Standardization's environmental management system standard – ISO 14001. Independent verification was completed in 2022 with no gaps identified
- The Group is committed to playing its part in the achievement of national emission reduction targets and the drive to 'net zero'
- The Infrastructure and New Energy business has advanced the Group's new energy and decarbonisation ambitions, identifying and maturing three discrete and scalable decarbonisation opportunities of carbon capture and storage ('CCS'), electrification, and green hydrogen and derivative production
- The Group continues to make good progress in reducing its absolute Scope 1 and 2 emissions during the year. Since 2018, UK emissions have reduced by c.43%, which is significantly ahead of the UK Government's North Sea Transition Deal target of achieving a 10% reduction in Scope 1 and 2 CO_2 equivalent emissions by 2025
- EnQuest has reported on all the emission sources within its operational control required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013
- The Group continues to evolve its disclosures in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures

Our people (see pages 38 to 39)

- EnQuest is committed to ensuring that EnQuest is a great place to work and providing an inclusive culture that recognises and celebrates difference and sees a diverse culture as an enabler of creativity and performance improvement
- Established in 2021, the Group-wide diversity and inclusion ('D&I') strategy, is firmly embedded in the overall strategy of the business. 'Diversity, Equity and Inclusion Culture' training has been provided for all UK-based managers and supervisors during 2022
- The mental and physical welfare of all employees continues to be a major focus across the business. The Group continues to promote a platform that provides tools and techniques to support wellbeing and delivered targeted awareness initiatives on mental health and a number of initiatives focused on physical health

Community (see pages 36 to 37)

- EnQuest is fully committed to active community engagement programmes and encourages and supports charitable donations in the areas of improving health, education and welfare within the communities in which it works
- Throughout 2022, the Group continued to provide support to a wide range of local organisations and communities in the UK and Malaysia
- In Aberdeen, EnQuest engaged with its new core corporate charity, The Archie Foundation, and maintained its commitment to CLAN Cancer Support
- In Malaysia, EnQuest continued its support of the Sungai Pergam Orang Asli Primary School in Terengganu, by contributing to student bursaries for 61 students through the MyKasih 'Love My School' programme

Business conduct (see page 52)

- 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 various 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 view across Sullom Voe to the port of Sella Ness showing the four deep-water jetties at SVT

A forward-thinking approach

At EnQuest, we have reviewed the ESG landscape, and identified those factors that are applicable to our purpose and business model and relevant for our stakeholders.

Environmental, Social and Governance ('ESG') factors continue to grow in importance for companies, reflecting the focus on company purpose, widespread concerns about climate change, the importance of stakeholder considerations and the emphasis on long-term value enhancement.

Environmental

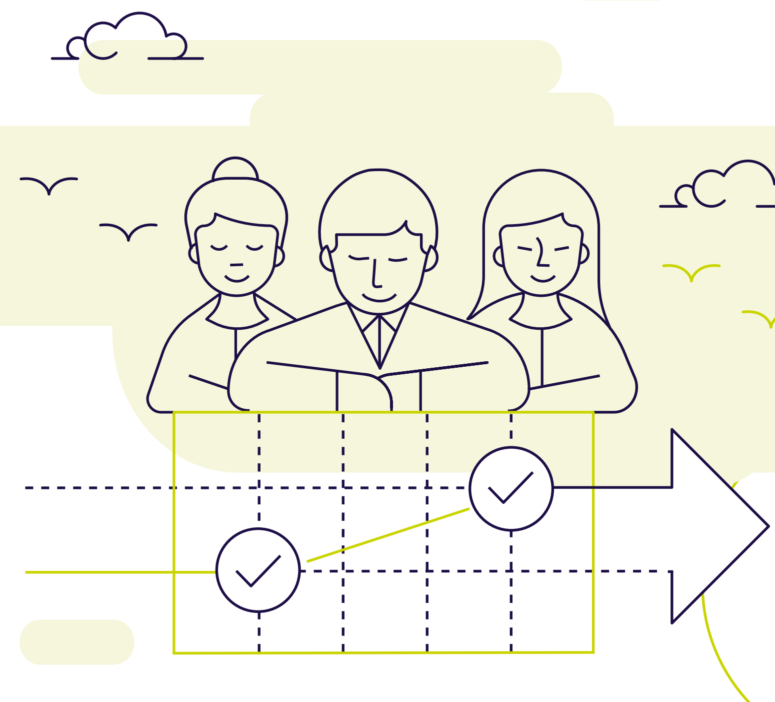
Managing emissions from existing operations and advancing new energy opportunities.

→ For more, see Page 30

Committed to contributing positively towards the drive to net zero

Focused on absolute Scope 1 and 2 emission reductions in existing and acquired assets; three-year Group targets linked to reward

Incorporates carbon costs into investment evaluations



- Committed to operating with a strong culture and Values, in line with the Group's purpose, alongside delivering SAFE Results with no harm to our people
- Committed to improving workforce diversity and inclusion
- Aim to impact positively the communities in which we operate, and prioritising respect for the environment

Social

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

→ For more, see Page 34

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

Governance

Robust Risk Management Framework.

→ For more, see Page 40

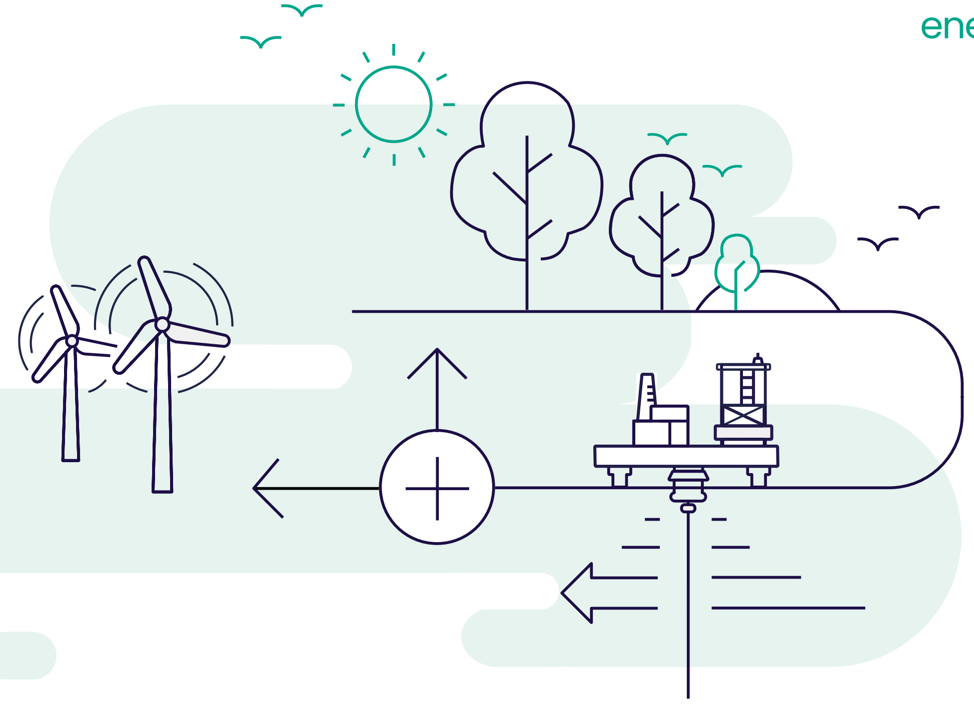
Our sustainability highlights for 2022

Reduction in Group Scope 1 and 2 emissions vs 2020 baseline	**Reduction** in UK Scope 1 and 2 emissions vs 2018 NSTD baseline	Top-quartile LTIF[1] performance	Female representation at Board level
23%	43%	0.57	33%

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

Environmental

Managing emissions from existing operations and advancing new energy opportunities.



Reduction in Group
Scope 1 and 2 emissions

23%

vs 2020 baseline

Reduction in UK
Scope 1 and 2 emissions

43%

vs 2018 NSTD[1] baseline

Note above:
1 North Sea Transition Deal

Notes opposite:
1 $kgCO_2e/bbl$ = kilograms of CO_2 equivalent per produced barrel
2 Based on the University of Calgary Petroleum Refinery Life Cycle Model ('PRELIM') recognised by California Air Resources Board, US Energy Technologies Laboratory, US DOE Office of Energy Efficiency and Renewable Energy, Carnegie Endowment for International Peace and the US Environmental Protection Agency

A responsible operator with a strong culture and management framework
At the core of EnQuest's Values is SAFE Results with no harm to people and respect for the environment. As an oil and gas company, safely improving the operating, financial and environmental performance of mature and late-life assets remains a key focus. EnQuest recognises the importance of good governance and transparency in relation to climate change, and the Group's reporting against the Task Force on Climate-related Financial Disclosure recommendations can be found on pages 53 to 60. In addition, the Group outlines its assessment of associated potential risks to the execution of its strategy within the Risks and uncertainties section of this report (see page 40).

EnQuest's Environmental Management System ('EMS') ensures the Group's activities are undertaken in such a way that it manages and mitigates its impact on the environment. The EMS meets the requirements of the OSPAR Recommendation 2003/5, is aligned with the requirements of the International Organization for Standardization's environmental management system standard – ISO 14001 – and independent verification was completed in 2022 with no gaps identified. In the UK, the Group publishes its annual Environmental Statement in line with the regulatory environmental management system requirement under the OSPAR Recommendation 2003/5 (see the Environmental, Social and Governance section on the Group's website, www.enquest.com). These statements, which include information on emissions, waste, discharges and spills, are an open and transparent representation of EnQuest's environmental performance across all its UK offshore operations. In Malaysia, environmental management and reporting are undertaken through PETRONAS Malaysia Petroleum Management ('MPM') and addressed as part of the EnQuest Malaysia Management System and in line with ISO 14001.

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

"The Group's carbon capture and storage opportunity has the potential to deliver CO_2 removal at volumes representing several multiples of the Group's existing carbon footprint."

Salman Malik
Managing Director, Infrastructure and New Energy

Lowering CO_2e emissions through the energy transition

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

Within EnQuest's core Upstream and Decommissioning businesses, the Board is focused on a strategy that 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 Scope 1 and 2 emissions from its own business operations where practicable. At present, EnQuest does not record Scope 3 emissions given the complexity and scope of EnQuest's value chain; however, this is being considered as part of the Group's Continuous Improvement Plan ('CIP') with alignment to the United Nations-adopted Sustainable Development Goal ('SDG') 12, Responsible Consumption & Production. For the longer term, the Infrastructure and New Energy business is evaluating and progressing opportunities to utilise existing infrastructure, including the Sullom Voe Terminal ('SVT'), pipelines, and underground reservoirs, to facilitate potential wind-powered electrification of offshore oil and gas infrastructure, green hydrogen and derivative production, and carbon capture and storage ('CCS') initiatives. Its CCS ambitions, which aim to permanently store CO_2 shipped to site from isolated emitters in the UK, Europe and further afield, provide the potential to remove CO_2 in multiples of the Group's own emissions footprint. The Group's electrification plans could lower emissions associated with offshore production in the West of Shetland at assets that could produce into the 2050s. The production of green hydrogen and derivatives through harnessing the advantaged natural wind resource around Shetland could provide a low-carbon alternative fuel which would help decarbonise a number of industries. (see page 14 for more information).

A clear target for the existing portfolio linked to reward

In 2021, the Group set a target of reducing its absolute Scope 1 and 2 CO_2 equivalent emissions by 10% by 2023 against a 2020 baseline. Further 10% targets over three years have been set in 2022 and 2023 (see pages 96 and 101 of the Directors' Remuneration Report). These targets are key performance metrics in the Group's long-term incentive scheme for Executive Directors and applicable employees and are linked to appropriate targets within the Group's short-term incentive plan. Improving the Group's environmental performance is an ongoing process and, as such, workforce engagement and development of technological improvements will continue to ensure economically viable emission reduction initiatives across the Group are identified and implemented. In 2022, EnQuest further strengthened its Climate Change oversight through the introduction of an Energy (Emission) Management System - Structure & Governance procedure. The purpose of this is to outline the structure and governance in relation to the Energy Management System within EnQuest, including how it approaches the measurement and reporting of emissions and how the Group will assess and select emission reduction opportunities. The procedure itself is structured to align with the internationally recognised structure for an energy management system in relation to ISO 50001.

Significant reductions achieved

The Group continued to make good progress in reducing its absolute Scope 1 and 2 emissions during the year, with CO_2 equivalent emissions now reduced by 22.7% versus the 2020 baseline, reflecting operational improvements and lower flaring and diesel usage. Since 2018, UK emissions have reduced by 43.1%, driven by the decisions to cease production at a number of the Group's assets and the further reductions achieved in 2022, which is significantly ahead of the UK Government's North Sea Transition Deal target of achieving a 10% reduction in Scope 1 and 2 CO_2 equivalent emissions by 2025.

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

Looking to the future

As majors and other operators continue to shift their focus from mature basins within various geographies, particularly the UK given the introduction of the Energy Profits Levy in 2022, it is expected there will be further opportunities for the Group to access additional oil and gas resources. However, time and careful consideration will be taken to find the right opportunities where EnQuest can deliver incremental emission reductions relative to the carbon footprint in the hands of the seller. The Group can make a positive contribution towards the future of North Sea oil and gas through doing its part in ensuring that each asset is in the right hands. In Malaysia, the Group continues to limit voluntarily emissions below the regulatory limit.

> **"The Group has enhanced its business model during 2022 to prioritise potential repurposing of infrastructure to support new energy and decarbonisation opportunities prior to executing a decommissioning plan."**
>
> **Salman Malik**
> **Managing Director,**
> **Infrastructure and New Energy**

View of Central Avenue Sullom Voe Terminal

Emissions management is an important feature during the decommissioning phase of an asset's life-cycle. During this phase, wells will need to be plugged and abandoned, while the production and processing facilities and any relevant infrastructure will need to be removed. Given the extent of this work, it will take place over an extended period and require careful project management. EnQuest's UK Decommissioning directorate will oversee the safe and efficient execution of these work programmes and is committed to delivering them in a responsible manner. This includes minimising emissions and maximising the recycle and reuse of recovered materials. A specific example would be implementing a fit for purpose power generation solution on the Thistle asset which reduced emission levels such that the thermal capacity of the combustion equipment on the asset has fallen below the regulatory limits to remain within UK ETS. The UK Decommissioning directorate continues to work with a variety of stakeholders to identify creative ways, such as modification to the Heather asset power generation equipment, in which emissions associated with decommissioning activities can be kept to a minimum.

EnQuest's Infrastructure and New Energy business continues to mature renewable energy and decarbonisation opportunities at SVT, including those involving the repurposing of existing site infrastructure. In particular, the initiative focused on CCS could see the Group's carbon footprint move to a position of negative net emissions. In 2022, the Group applied for two CCS licences for East of Shetland reservoirs from the North Sea Transition Authority ('NSTA'). Initial studies suggest that these available reservoirs have a minimum 500 million tonnes CO_2 storage capacity. With EnQuest estimating that c.10 million tonnes per annum could be processed through SVT infrastructure, this amounts to a multi-decade project.

EnQuest continues to engage with entities such as Offshore Energies UK, the Net Zero Technology Centre ('NZTC') and the NSTA, to better understand how it can contribute further to the industry approach to achieving net zero, while remaining aligned with EnQuest's strategy and Values.

Atmospheric emissions

The Group seeks to use energy efficiently within its facilities for extracting, processing and exporting oil and gas, continually looking to identify opportunities that may reduce emissions from its operations. As part of this work, an Emissions Management Team, was created that will develop and drive a continual improvement process focusing on Scope 1 and 2 emission reduction opportunities in line with the Group's overall target.

The primary responsibilities of the Emissions Management Team are:

- Delivering a workable, low-bureaucracy process for capturing ideas and monitoring progress;
- Assessing emission reduction opportunities arising from the Group's Energy Savings Opportunity Scheme ('ESOS') audits and other opportunities identified by EnQuest's staff and contractors in both the UK and Malaysia; and
- Maintaining an 'Emissions Monitoring Framework' that allows regular emissions monitoring and reporting to Company leadership and the Board.

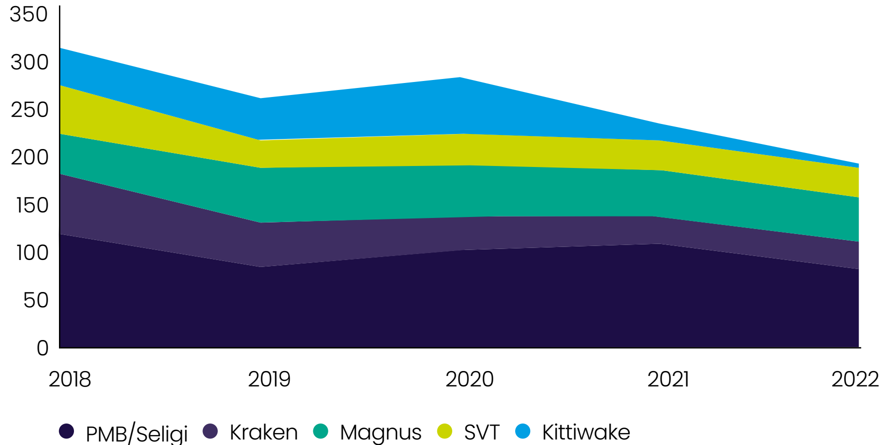
Since 2020, there has been an improvement in EnQuest's flare performance as demonstrated in the graph below.

This improved performance has been driven by improved levels of operational efficiency. Examples of this include:
- Kittiwake achieving an 89% reduction in flare (from 2020) after the reinstatement of production from Mallard (higher molecular weight gas) and the re-mapping of the compression system to maximise utilisation of produced gas;
- Kraken achieving a 14% reduction in flare due to better fuel management and maximising utilisation of produced gas within the installation's steam generation system; and
- PM8/Seligi achieving a 25% reduction following improvements to the compression system resulting in better gas utilisation.

Future reductions in the short term are expected from:
- A reduction of flare purge requirements on Magnus following work completed during the recent 2022 turnaround which should deliver a 10% reduction in Magnus flaring; and
- A planned trial in the first quarter of 2023 using fuel gas on one of the engines on Kraken which should maximise produced gas utilisation and has potential to deliver non-routine flaring capability.

EnQuest was awarded an improved score of 'C' (from 'D') for its 2022 CDP Climate Change submission, demonstrating that it continues to integrate climate change impacts into its business. The overall improvement was driven by higher scores in the Group's climate-change 'risk' and 'opportunity' disclosures.

EnQuest's flare performance 2018–2022



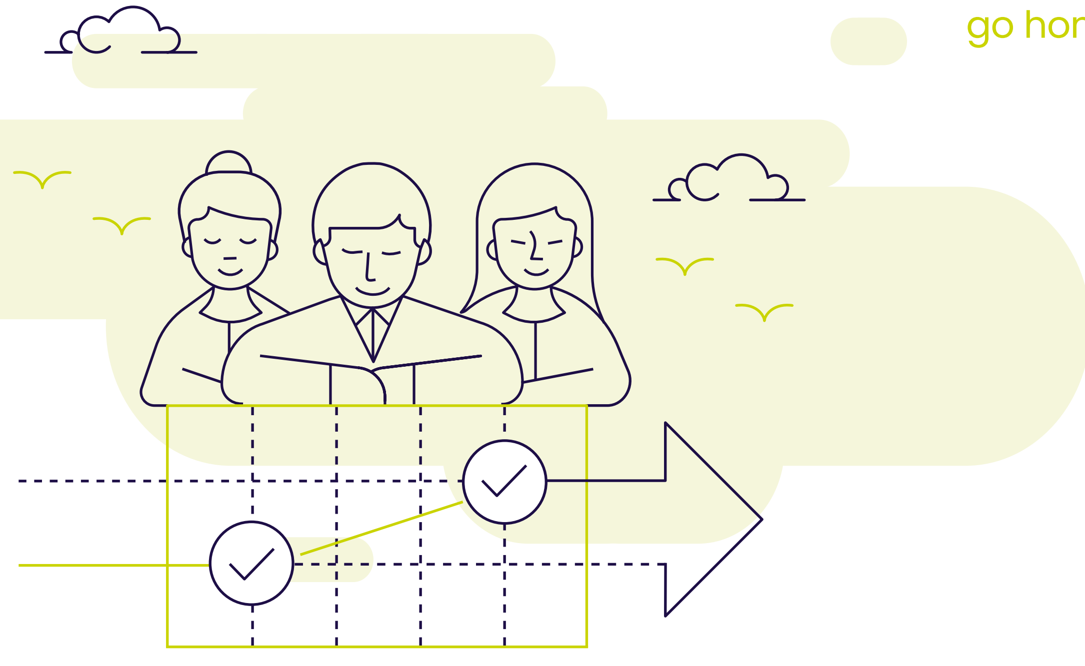
In 2022, the NSTA requested companies operating in the UK North Sea to consider disclosing certain quantitative metrics in their annual reports. The following disclosure has been made in accordance with this request:

North Sea Transition Authority – UK short-term quantitative metrics

Metric	Value
Scope 1 & 2 Emissions ($MTCO_2e$)	739,277
Fugitive Emissions as % of Marketed Gas	0.019%
Carbon Intensity Total UK ($MTCO_2e$/Boe)	0.039
Water Pollution Risks (million m^3)	8.37
Waste Management & Disposal (MT)	4,691
Flaring & Venting ($MTCO_2e$/Boe)	0.002
Regulatory Fines	1
Lost Time Injury Frequency Rate	0.62
Recordable Injury Frequency Rate	3.09
Restricted Workday Case	4
Medical Treatment Case	4
Lost Work Day Case	2

Social

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



Top-quartile LTI frequency[1] performance

0.57

Reportable hydrocarbon releases across the Group

3

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

Health and safety

Underpinning the Group's licence to operate is its health and safety performance. The Group focuses on the delivery of SAFE Results while realising its business objectives. To achieve this, the business is managed in accordance with the Board-approved Group-wide Health, Safety, Environment and Assurance ('HSEA') Policy, which can be found on the Group's website, www.enquest.com, under Environmental, Social and Governance.

Culture

Safety is at the heart of EnQuest's Values. The Group undertakes continuous improvement activities to ensure that its health and safety culture continues to develop. These have a focus on the prevention of personal injuries, dangerous occurrences and hydrocarbon releases and, in support of the delivery of SAFE Behaviours, are 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.

During 2022, the Group continued to place emphasis on maintaining a strong safety culture through the presentation of two SAFE Results 'Values awards' at Global Town Hall events. EnQuest also implemented the learnings from the Group-wide asset integrity review undertaken in 2021. Several improvements were made in people, plant and process safety, including:

- Shutdowns undertaken across the Group's operated asset base, focused on driving improved asset integrity;
- Risk-based approach applied to global audit and assurance plans and activities, including a dashboard providing open visibility of findings and trends to the organisation; and
- Process safety dashboard automation to improve data integrity.

Independent review of asset integrity activities was maintained throughout 2022 and reported at Board level. This will continue into 2023, helping to ensure asset integrity status and cost allocation remain visible, which enables improved risk-based decision making.

"We will deliver SAFE Results by fostering a culture of accountability and performance where everyone understands what is expected of them. It's about having realistic standards, governance and capabilities to add value and to support the business."

Peter Hepburn
HSEA Director

As the threat from COVID-19 reduced, EnQuest continued to take a proactive approach in providing practical support and guidance to its offshore and onshore workforce, following best practice and government and industry policy. The additional barriers put in place to safely manage operations during the pandemic were removed in phases as the level of risk reduced and improved practices became standard. This was undertaken with no adverse impact on the health and safety of EnQuest's people or operations, with the threat now managed through updated communicable disease procedures.

In Malaysia, the successful completion of a joint military security exercise between the Navy, the Air Force and the Army onboard a PM8/Seligi installation enabled collaboration with several government agencies to address key issues. This activity resulted in a 'Focused Recognition' award from PETRONAS MPM.

The Group's health and safety performance has continued to be strong from a leading indicator perspective, while lagging indicators of Lost Time Incidents ('LTIs') and hydrocarbon releases were more challenged. There has been further development of the continuous improvement culture with several activities undertaken in 2022, including:

- Audit of the Group-wide process safety management framework with improvement actions implemented;
- Exceeding the target for site safety-leadership visits, a leading safety indicator of engagement;
- Reducing high-risk safety and environmental critical element repair orders, which has lowered the risk profile across the Group; and
- Continuing to contribute positively to the industry organisations Offshore Energies UK and Step Change in Safety initiatives and campaigns.

Health

EnQuest has adopted various hybrid working practices and the health and wellbeing of the EnQuest workforce has continued to be a focus area. The employee-led Wellbeing Committee implemented a number of activities such as Step Challenges and Menopause Awareness, while EnQuest also piloted Mental Health Awareness training, which will be further developed through 2023 (see page 39 for more information).

Personal safety

Despite the challenges of managing late-life assets through production operations and decommissioning activities, the Group's LTI performance remained in the upper quartile, with a Group LTI frequency[1] of 0.57. Various notable milestones were achieved across the Group's asset base:

- Three LTIs were reported across the Group against a backdrop of 5,298,991 million hours worked; and
- The asset team at Kittiwake recorded 17 years LTI free.

There was an increase in the number of LTIs from 2021, which primarily occurred through routine activities, including walking through the installation. In response, management emphasised the need for increased focus on situational awareness and dynamic risk assessment.

Process safety

Process safety continued to be a focus in 2022. In conjunction with the asset integrity review, there has been progress achieved in risk review processes, such as the automation of the major accident hazard barrier model which enables the extraction of real-time inspection and maintenance data. This has been further supported by a focus at the monthly asset Process Safety Review and Improvement Boards to generate open and transparent discussions about key threats and control arrangements:

- For those assets in a decommissioning phase and not processing hydrocarbons, asset integrity is being assured to deliver safe decommissioning activities, while the management of safety-critical maintenance is being tailored to reflect the specific circumstances of each asset;
- HSEA systems have continued to be reviewed and the use of data visualisation tools is better informing HSEA performance and ensuring that any response to changing HSEA processes is supported by reliable data sources from automated systems;
- In both Malaysia and the UK, regulator interaction continues in an open and transparent manner, allowing for collaboration on key issues; and
- Reportable hydrocarbon releases across UK-operated assets increased to three in 2022 (2021: one; 2020: four; 2019: 11), while Malaysia reached the milestone of zero in 2022 (2021: one; 2020: two; 2019: five). Hydrocarbon release prevention remains a focus area for 2023.

All prior Health and Safety Executive ('HSE') Improvement Notices ('INs') have been complied with in accordance with the action plans and timelines agreed with the HSE. Following an HSE inspection in November, an IN was received with regard to a previously applied isolation scheme. While the HSE recognised that EnQuest had made a number of improvements in the control of isolations, the issuance of the IN was in line with the industry strategy it is following. EnQuest is working to close this IN ahead of the agreed due date. The Group welcomes continued engagement with the HSE and INs provide the Group with the opportunity to further improve process safety arrangements, prevent future hydrocarbon releases and increase assurance across the Group.

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

Shetland Junior Golf Championship 2022

Community

EnQuest maintained its strong commitment to directly support the local communities in which it operates.

UK

EnQuest made several contributions to charitable causes in 2022:

- Offshore and at the SVT, charitable donations are linked to strong health and safety performance on our assets. Through these schemes, EnQuest was able to donate to a wide variety of charities, including CLAN Cancer Support, the Ardgowan and St Andrew's Hospices, as well as the Zoë's Place Baby Hospice and AberNecessities, which provides support to struggling families in Aberdeen and surrounding areas;
- SVT also supported cultural and sporting events in Shetland in 2022, including sponsoring the Masterclasses and International stands at the A Taste of Shetland Festival, the Shetland Folk Festival, the Shetland junior golf annual event as well as the Bergen to Lerwick Yacht Race prize-giving event and the Shetland Rugby Sevens events for men, women and children;
- Ten educational awards for the academic year 2022/2023 were made by the Trustees of the Sullom Voe Terminal Participants' Tenth Anniversary Education Trust. The Trust, now in its 34th year of operation, 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. As operator, EnQuest also offered the opportunity for the Partnership Award recipient to spend time on-site working on projects for the terminal, providing them with necessary experience to complement their areas of study; and
- In Aberdeen, EnQuest engaged with its new core corporate charity, The Archie Foundation, in a number of ways, including fundraising for the 4x4x48 running challenge, where two EnQuest participants ran four miles every four hours for 48 hours, and a donation to support the charity's Christmas calendar for sick children in Aberdeen. EnQuest also maintained its commitment to CLAN Cancer Support, getting involved in a hiking challenge and a sponsored sky dive, as well as helping to sponsor the charity's Big Hop Trail, a nature walk featuring outsize rabbits in Aberdeenshire and Moray. Support was also provided to a wide variety of other charitable causes, including the Aberdeenshire North Foodbank through a fundraising stall providing support to vulnerable families in the region over the December festive season. EnQuest also offered 15 internship placements in the summer to a diverse group of postgraduates, undergraduates and one school leaver, working across the business divisions from Upstream to Decommissioning, Business Services to HR, as well as its Infrastructure and New Energy business. EnQuest is planning to expand its support to students with a programme of undergraduate and postgraduate sponsorship in the UK which will begin in 2023.

Malaysia

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

- EnQuest Malaysia continued to support the Sungai Pergam Orang Asli Primary School in Terengganu, by contributing to student bursaries for 61 students through the MyKasih 'Love My School' programme. EnQuest Malaysia has supported the programme since June 2019, with the school one of only two Orang Asli primary schools in this province. Having funded the refurbishment of the school canteen in 2019, EnQuest has committed to pay for upgrades to classrooms and the school's roof. EnQuest has also sponsored 'Back to School' sets, including school uniforms for students at SK Sungai Pergam for the start of the academic year in March 2023;
- In 2022, 17 local university students were selected for internship placements in a variety of disciplines;
- EnQuest's partnership with the Institute of Chemical Engineers ('IChemE') to offer accreditation of the Universiti Kebangsaan Malaysia Chemical and Process Engineering Programme continued into its second year. EnQuest remains committed to this scheme and is awaiting the outcome of the IChemE progress assessment which has been delayed due to the COVID-19 pandemic;
- EnQuest continued its joint sponsorship with The Amjad and Suha Bseisu Foundation of six undergraduate students in geology as well as chemical, mechanical and petroleum engineering from the Universiti Malaya and Universiti Teknologi Malaysia; and
- Having begun in 2021, the programme to replant 380 mangrove trees covering an approximate wetland area of 900 m^2 within the Kuala Selangor Nature Park in collaboration with the Majlis Perbandaran Kuala Selangor (Kuala Selangor Town Hall) and Malaysian Nature Society was concluded. The final tranche of 180 trees was planted successfully in early August 2022.

Charitable donations in 2022
($000)

c.175

EQ interns visit the Sullom Voe Terminal

2025 targets
Women in leadership and management roles

30%

Ethnic minority representation in Executive leadership roles

15–20%

Our people

At EnQuest, we recognise people are critical to our success and we are committed to ensuring EnQuest remains a great place to work. We have a strong set of Values that underpin our way of working and provide a rewarding work environment, with opportunities for growth and learning while contributing to the delivery of our strategy.

An inclusive workforce

We remain committed to providing an inclusive culture that recognises and celebrates difference and sees a diverse culture as an enabler of creativity and performance improvement. Established in 2021, the Group-wide diversity and inclusion ('D&I') strategy, is firmly embedded in the overall strategy of the business, alongside the D&I Policy. The policy, which can be found on the Group's website (www.enquest.com), outlines seven key commitments to:

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

'Diversity, Equity and Inclusion Culture' training, which had a 70% take-up rate, has been provided for all our UK-based managers and supervisors during 2022. The training was split into two sessions; the first built on the 'Conscious Inclusion' training from 2021 that helped to improve participants' knowledge and skills to create a more inclusive culture, while the second session was aimed at creating awareness of privilege and microaggressions by engaging in group discussions and ultimately producing an improvement plan for the Company to implement in 2023.

The UK's EnQlusion workforce group promoted a number of initiatives during 2022, including continued support for the Association for Black and Minority Ethnic Engineers, International Women in Engineering Day and the UK's AXIS Network.

An employee 'pulse' survey that focused on diversity and inclusion was conducted in the UK during September 2022. The survey provided a useful narrative on employee perceptions of the levels of diversity and inclusion in the business. This has acted as a signpost for improvement areas, such as raising awareness of how a more diverse and inclusive environment can be a more motivating place to work and lead to delivering improved Business performance. During 2023 and beyond, we remain committed to implementing several initiatives in direct response to the survey's findings. Additionally, we will also revisit our Diversity and Inclusion strategy to ensure it remains relevant for the future and further strengthen our three-year road map to increase non-male representation at senior management.

Recruitment

While recruitment processes are being evolved to encourage a broad spectrum of applicants, we remain 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, we encourage individuals with a disability, or who develop a disability at any time during their employment, to speak to their line manager about their condition. This will enable the Group to provide support and access to the necessary training for the relevant individual.

Our people and organisational strategy is to ensure that we have the right people, in the right roles, driving performance and delivering efficiencies as we continue to pursue our strategy. As such, we ensure that our processes are open and transparent, providing equal opportunities for all. We will continue with this approach, recruiting individuals based on merit and their suitability for the role.

EnQuest was delighted to sponsor the Student Room at the OEUK annual decommissioning conference in St Andrews in November 2022. This demonstrated our ongoing commitment to sharing knowledge in the industry, as well as encouraging future generations of engineers to consider a career in decommissioning.

Ways of working and engagement

We have a strong set of Values and high standards of business conduct which we expect our employees and everyone we work with to demonstrate and adhere to. Throughout 2022, we continued to celebrate and recognise those who had demonstrably lived our Values through our Values awards presented at our Global Town Hall events.

As the world emerges from the COVID-19 pandemic and restrictions are lifted, we have continued to review our ways of working, adopting hybrid and flexible working where appropriate, while respecting geographical and cultural differences.

To help us understand employee engagement levels, a Group-wide employee survey will be conducted in 2023. Together with our Diversity and Inclusion 'pulse' surveys, these engagement steps remain an important driver to identify areas requiring management focus. The previous Group-wide survey concluded in early 2022, with a participation rate of over 71%. The results were communicated to teams and managers across the business, with progress against existing action plans reviewed and updates made to those plans to address areas where there is identified scope for improvement. Group-wide areas of focus included communicating and sharing our Company purpose and strategy within departments and teams, creating open spaces for teams to engage with their managers, simplify processes and procedures and make improvements to office working environments.

In addition to engagement surveys, the EnQuest Global Employee Forum, attended by two formally designated Non-Executive Directors, met three times throughout 2022. Areas discussed and reviewed during the year included:

- Hybrid working effectiveness;
- Employee reward and recognition; and
- Optimising organisational effectiveness.

During 2022, our Non-Executive Directors moved to a broader approach for employee engagement, such as through face-to-face meetings in specifically arranged breakfast and dinner meetings. However, an internal Global Employee Forum continues to function as a useful interface between employees and management for constructive two-way dialogue. Further details of how the Company engages with its workforce can be found in the Corporate governance statement on page 70.

Our commitment to wellbeing

The mental and physical welfare of all employees continues to be a major focus across the business. Mental health awareness has remained an important aspect of wellbeing, particularly considering the changing landscape as we emerge from COVID-19 restrictions, the global impact of the war in Ukraine and the cost-of-living crisis.

We have a well-established Wellbeing Committee, consisting of an active membership from across the business. The Committee is pivotal in developing initiatives covering all aspects of individual wellbeing, as well as social events such as our annual children's Christmas party. We continue to promote a third-party digital platform for employees offering tools and techniques to support wellbeing and have delivered targeted awareness initiatives on mental health. We also use our internal social media channel, Yammer, to promote these initiatives and those targeted at physical health, including pilates, nutrition, along with the annual 'rig-run', Corporate Games and 'step count' challenges throughout the year.

Continued growth and learning

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

In Malaysia, the development of offshore competencies has continued at pace during 2022 with a broad training programme implemented

> "At EnQuest, we pride ourselves in being able to think differently and influence across boundaries."
>
> **Janice Doyle**
> **Director of People, Culture & Diversity**

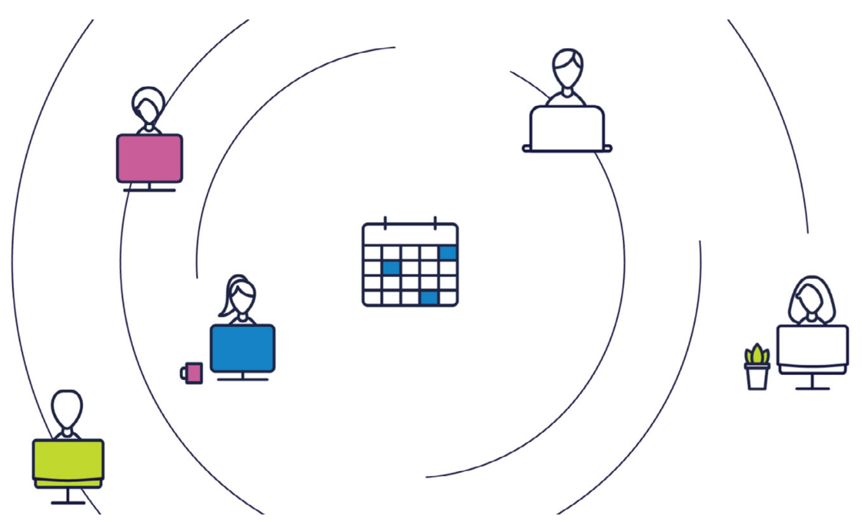
with partner Institut Teknologi Petroleum PETRONAS (INSTEP). At a leadership level, further collaboration within the industry has delivered key skills through a leadership and mentorship programme. The e-Learning platform continues to be a key tool in delivering training to employees in Malaysia with greater flexibility to meet their individual training needs, with 69% of employees actively participating in programmes on the platform during 2022.

Identifying succession plans for our business-critical roles continued in 2022 to ensure we retain and develop high-potential employees. We conduct regular reviews to ensure the direction, focus and development of employees identified remain relevant and on track. Across the Group, we supported a broad programme of job-specific training to ensure high levels of skill, competence and safety are maintained across our operations.

Gender pay gap

Over the six years that EnQuest has been reporting its gender pay gap in the UK, there has been a marked narrowing of the gap between male and female employees' pay, with the gap related to the average rate of total pay for women compared to that of men reducing from 38.7% in 2017 to 17.8% in 2022. The reduction in the pay gap is primarily driven by a gradual rebalancing of more female employees moving into higher pay levels compared to the wider population, although this was impacted by the necessary transformation programme undertaken during 2020 following the COVID-19 pandemic.

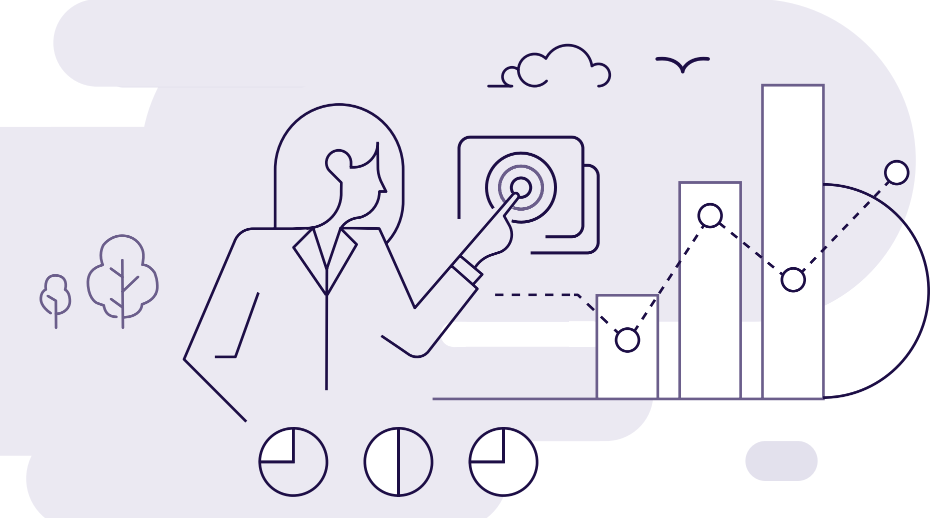
As a Group, we are pleased to see the gender pay gap continue to narrow and we remain committed to providing equal pay for equal jobs. However, there is further work required to drive gender pay equity and this will be achieved through an ongoing focus on diversity and inclusion in all aspects of our working lives. In addition to a fair and balanced recruitment and promotion process with regular skills assessments, appropriate action from the Global Employee Forum and the results of our surveys continue to be taken in line with our Diversity and Inclusion Strategy.



Post COVID-19, EnQuest has continued to adopt hybrid and flexible working

Governance

Robust Risk Management Framework.



Risks and uncertainties

Management of risks and uncertainties

Consistent with the Group's purpose, the Board has articulated EnQuest's strategic vision to be the partner of choice for responsible management of existing energy assets, applying our core capabilities to create value through the transition.

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

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

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

The Board reviews the Group's risk appetite annually in light of changing market conditions and the Group's performance and strategic focus. The Executive Committee periodically reviews and updates the Group Risk Register based on the individual risk registers of the business. The Group Risk Register; an assurance mapping and controls review exercise; a Risk Report (focused on identifying and mitigating the most critical and emerging risks through a systematic analysis of the Group's business, its industry and the global risk environment); and a Continuous Improvement Plan ('CIP') are 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 Audit Committee oversees the effectiveness of the RMF while the Safety, Sustainability and Risk Committee provides a forum for the Board to review selected individual risk areas in greater depth (for further information, please see the Audit Committee report on pages 78 to 84 and the Safety, Sustainability and Risk Committee report on pages 103 to 104).

As part of its strategic, business planning and risk processes, the Group considers how a number of macroeconomic themes may influence its principal risks. These are factors which the Group should be cognisant of when developing its strategy. They include, for example, long-term supply and demand trends for oil and gas and renewable energy, developments in technology,

“The Board confirms that the Group complies with the Financial Reporting Council’s ‘Guidance on Risk Management, Internal Control and Related Financial and Business Reporting’.”

demographics, the financial, physical and transition risks associated with climate change and other ESG trends, and how markets and the regulatory environment may respond, and the decommissioning of infrastructure in the UK North Sea and other mature basins. These themes are relevant to the Group’s assessments across a number of its principal risks. The Group will continue to monitor these themes and the relevant developing policy environment at an international and national level, adapting its strategy accordingly. For example, the Group has made further progress in the development and execution of its energy transition and decarbonisation strategy through the Infrastructure and New Energy business, which was established in 2021. The Group is also conscious that as an operator of mature producing assets with limited appetite for exploration, it has limited exposure to investments that do not deliver near-term returns and is therefore in a position to adapt and calibrate its exposure to new investments according to developments in relevant markets. This flexibility also ensures the Group has mitigation against the potential impact of ‘stranded assets’.

Within the Group’s RMF, the Safety, Sustainability and Risk Committee has categorised all risk areas faced by the Group into a ‘Risk Library’ of 19 overarching risks. For each risk area, ‘Risk Bowties’ are used to identify risk causes and impacts, with these mapped against preventative and containment controls used to manage the risks to acceptable levels (see diagram below). These Risk Bowties are periodically reviewed to ensure they remain fit for purpose.

The Board, supported by the Audit Committee and the Safety, Sustainability and Risk Committee, has reviewed the Group’s system of risk management and internal control for the period from 1 January 2022 to the date of this report and carried out a robust assessment of the Group’s emerging and principal risks and the procedures in place to identify and mitigate these risks. A Risk Management Framework Performance report is produced and reviewed at each Safety, Sustainability and Risk Committee meeting in support of this review.

EnQuest Risk Bowtie

ENQUEST RISK MANAGEMENT FRAMEWORK

WHAT WE MONITOR

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

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

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

Continuous Improvement Plan
A summary of the key actions planned for continual improvement of the RMF.

Risk landscape inputs/considerations
Comprises:

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

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

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

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

HOW WE MONITOR

Board of Directors (pages 66 to 67)
Responsible for providing oversight of the Group's control and risk management systems, reviewing key risks and mitigating controls periodically. Approves the Group's risk appetite annually and approves the Group's going concern and viability statements.

Audit Committee (pages 78 to 84)
- Reviews the effectiveness of the Group's internal controls and risk management systems;
- Reviews the internal audit assurance map against principal risks; and
- Reviews and recommends for approval by the Board the Group's going concern and viability statements.

Supported by the Group's Internal Audit function.

Safety, Sustainability and Risk Committee (pages 103 to 104)
- Supports the implementation and progression of the Group's RMF;
- Monitors the adequacy of containment and mitigating controls, and progression of mitigation of risks;
- Undertakes in-depth analysis of specific risks and considers existing and potential new controls; and
- Conducts detailed reviews of key non-financial risks not reviewed within the Audit Committee.

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

Executive Committee
- Frequently reviews Group performance, including financial, operating and HSE performance; and
- Periodically reviews the Group Risk Register and RMF performance report.

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

Near-term and emerging risks

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

During 2022, work continued to enhance the integration of these risk registers and the associated processes 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'. A key area of ongoing development is the integration of the Operational Risk Assessment into the automated risk management software, which is expected to be completed in 2023. In turn, this ensures that the preventative and containment controls in place for a given risk are reviewed and remain robust based upon the identified risk profile. It also drives the required prioritisation of in-depth reviews to be undertaken by the Safety, Sustainability and Risk Committee, which are now integrated into the Group's internal audit programme for review. During the year, nine Risk Bowties were reviewed, ensuring that all 19 of the Group's identified risks have been reviewed within the targeted cycle.

With the threat from COVID-19 reduced and now being managed through updated and effective communicable disease procedures, the Group has removed it from its emerging risk register.

While not considered an emerging risk, given the focus on climate-related risks for energy companies, EnQuest has provided further detail below on its assessment of this risk within the Group's risk library. Additional information can be found in the Group's Task Force on Climate-related Financial Disclosures, starting on page 53.

CLIMATE CHANGE

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

Appetite

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

The Group's risk appetite for climate change risk is reported against the Group's impacted principal risks, while a discrete disclosure against the Task Force on Climate-related Financial Disclosures can be found on pages 53 to 60.

Mitigation

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

The Group has an emissions management strategy and has committed to a 10% reduction in Scope 1 and 2 emissions over three years, from a year-end 2020 baseline, with the achievement linked to reward. Progress is reported to the Safety, Sustainability and Risk Committee of the Board. The Group endeavours to reduce emissions through improving operational performance, minimising flaring and venting where possible, and applying appropriate and economic improvement initiatives, noting that the ability to reduce carbon emissions from its own operations will be constrained by the original design of later-life assets. Following the establishment of the Infrastructure and New Energy business in 2021, the Group has further enhanced its business model to include a focus on repurposing existing infrastructure to support its renewable energy and decarbonisation ambitions, centred around the Sullom Voe Terminal.

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 109 to 110 for more information).

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

Other near-term risks being monitored

ONGOING GEOPOLITICAL SITUATION

The Group has continued to assess its commercial and IT security arrangements and does not consider it has a material adverse exposure to the geopolitical situation with respect to the sanctions imposed on Russia, although recognises that the situation has caused oil price volatility. The Group continues to monitor its position to ensure it remains compliant with any sanctions in place.

FISCAL RISK AND GOVERNMENT TAKE

The imposition of the UK Energy Profits Levy ('EPL') may materially affect EnQuest's free cash flow generation, which in turn will impact the Group's ability to finance growth opportunities, presenting a further challenge for future growth. The Group will continue to seek value-accretive opportunities, both through the pursuit of creative acquisition structures and continued focus on new energy projects.

Note that EPL could also impact the principal risks of **Portfolio Concentration** and **Financial**.

Key business risks

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

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

Set out on the following pages are:

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

Among these, the key risks the Group currently faces are materially lower oil prices for an extended period (see 'Oil and gas prices' risk on page 45), and/or a materially lower than expected production performance for a prolonged period (see 'Production' risk on pages 45 to 46 and 'Subsurface risk and reserves replacement' on page 48), and/or further changes in the fiscal environment (see 'Financial' risk on page 46 and 'Fiscal risk and government take' on page 49), which could reduce the Group's cash generation and pace of deleveraging, which may in turn impact the Company's ability to comply with the requirements of its debt facilities and/or execute growth opportunities.

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 (2021 Medium)

Likelihood
Medium (2021 Medium)

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

Related KPIs:

Appetite

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

The Group's desire is to maintain upper quartile HSE performance measured against suitable industry metrics.

In 2022, EnQuest achieved an upper quartile Lost Time Incident frequency rate[1] ('LTIF'); however, the hydrocarbon release frequency rate was challenged due to the three releases reported on page 35. None of the releases had common root causes and occurred at three different locations and after thorough investigation no systemic failure was identified within our systems. The incidents occurred in the first half of the year and, since the corrective and preventative actions have been implemented, no further incidents occurred in the second half of 2022.

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

Mitigation

The Group maintains, in conjunction with its core contractors, a comprehensive programme of assurance activities and has undertaken a series of in-depth reviews into the Risk Bowties that have demonstrated the robustness of the management process and identified opportunities for improvement. A refreshed Group-aligned HSE Continuous Improvement Plan was created in 2022, promoting a culture of accountability and performance in relation to HSE matters. The purpose of this plan is to ensure that everyone understands what is expected of them by having realistic standards, governance and capabilities to add value and support the business. HSE performance is discussed at each Board meeting and the mitigation of HSE risk continues to be a core responsibility of the Safety, Sustainability and Risk Committee. During 2022, the Group continued to focus on the control of major accident hazards and SAFE Behaviours.

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

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

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

Risk

OIL AND GAS PRICES

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

Potential impact
High (2021 High)

Likelihood
High (2021 High)

The potential impact and likelihood remain high, reflecting the uncertain economic outlook, including possible impacts from a global recession, geopolitical tensions and associated sanctions, 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:

Appetite

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

Mitigation

This risk is being mitigated by a number of measures.

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

The Group monitors oil price sensitivity relative to its capital commitments and its assessment of the funds required to support investment in the development of its resources. The Group will therefore regularly review and implement suitable programmes to hedge against the possible negative impact of changes in oil prices within the terms of its established policy (see page 161) and the terms of the Group's reserve based lending facility, which requires hedging of EnQuest's entitlement sales volumes (see page 161). As at 4 April 2023, the Group had hedged approximately 11.1 MMbbls for 2023 and 2024. This ensures that the Group will receive a minimum oil price for some of its production.

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

Risk

PRODUCTION

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

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

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 (2021 High)

Likelihood
Medium (2021 Medium)

There has been no material change in the potential impact or likelihood. The Group met its 2022 production guidance and continues to focus on key maintenance activities during planned shutdowns and procuring a stock of critical spares to support facility uptime.

Related KPIs:

Appetite

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

Mitigation

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

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

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

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

The Sullom Voe Terminal has a good safety record, and its safety and operational performance levels are regularly

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

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

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

Risk

FINANCIAL

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

Significant reductions in the oil price, production and/or the funds available under the Group's reserve based lending ('RBL') facility, and/or further changes in the UK's fiscal environment, will likely have a material impact on the Group's ability to repay or refinance its existing credit facilities and invest in its asset base. 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. Further information is contained in the Financial review, particularly within the going concern and viability disclosures on pages 25 and 26.

Potential impact
High (2021 High)

Likelihood
High (2021 High)

There is no change to the potential impact or likelihood. While the Group has significantly reduced its debt and successfully refinanced its debt facilities in 2022, which extended maturities to 2027, the imposition of the Energy Profits Levy ('EPL') in the UK has impacted the level of available capital and associated amortisation schedule under the Group's RBL facility (see the going concern disclosure on page 25).

Factors such as climate change, other environmental, social and governance ('ESG') concerns, oil price volatility and geopolitical risks have impacted investors' and insurers' acceptable levels of oil and gas sector exposure, with the availability of capital reducing while the cost of capital has increased. In addition, the cost of emissions trading allowances may continue to trend higher along with the potential for insurers to be reluctant to provide surety bonds for decommissioning, thereby requiring the Group to fund decommissioning security through its balance sheet.

Related KPIs:
B C D E F G H

Appetite

The Group remains focused on further reducing its leverage levels, targeting 0.5x EnQuest net debt to EBITDA ratio on a mid-cycle oil price basis, maintaining liquidity, controlling costs and complying with its obligations to finance providers while delivering shareholder value, recognising that reasonable assumptions relating to external risks need to be made in transacting with finance providers.

Mitigation

Debt reduction remains a strategic priority. During 2022, the Group's strong free cash flow generation drove a $504.9 million reduction in EnQuest net debt to $717.1 million at 31 December 2022, with an EnQuest net debt to adjusted EBITDA ratio of 0.7x. During the year, EnQuest also refinanced its debt facilities, rebalancing the capital structure and extending maturities to 2027. At 4 April 2023, the Group's new RBL facility was drawn to $282 million, with repayments totalling $118 million in the first quarter of 2023 ensuring the Group remains ahead of the amended facility amortisation schedule and within its borrowing base limits.

Ongoing compliance with the financial covenants under the Group's reserve based lending facility is actively monitored and reviewed. EnQuest generates operating cash inflow from the Group's producing assets and reviews its cash flow requirements on an ongoing basis to ensure it has adequate resources for its needs.

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

These steps, together with other mitigating actions available to management, are expected to provide the Group with sufficient liquidity to meet its obligations as they fall due.

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 (2021 High)

Likelihood
High (2021 High)

The potential impact and likelihood remain unchanged, with the introduction of the UK EPL likely to impact industry participants' investment views of the UK North Sea, a number of competitors assessing the acquisition of available oil and gas assets and the rising potential for consolidation (for example, through reverse mergers). Operating in a competitive industry may result in higher than anticipated prices for the acquisition of assets and licences.

Related KPIs:
B C D E F G 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, which may include the Group's competitive advantage of $2.5 billion of UK tax losses, as may be appropriate. The Group maintains good

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

Risk

IT SECURITY AND RESILIENCE

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

Potential impact
Medium (2021 Medium)

Likelihood
Medium (2021 Medium)

There has been no change to the potential impact or likelihood, with the Group continuing to monitor and enhance its IT security, having regard for the ongoing geopolitical situation.

Related KPIs:

Appetite

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

Mitigation

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

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

During 2022, the Audit Committee agreed to update its terms of reference to highlight its responsibilities more explicitly with regard to the IT control environment, with the IT controls to be regularly reviewed during meetings. The Audit Committee also reviewed the Group's cyber-security measures and its IT resourcing model, noting the Group has a dedicated cyber-security manager. Work on assessing the cyber-security environment and implementing improvements as necessary will continue during 2023.

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 (2021 High)

Likelihood
High (2021 High)

There has been no material change in the potential impact or likelihood. The Group is currently focused on oil production and does not have significant exposure to gas or other sources of income. However, the Group continues to assess acquisition growth opportunities with a view to improving its asset diversity over time.

Related KPIs:

Appetite

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

Mitigation

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

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

The Group has made good progress with its decarbonisation strategy, identifying three key focus areas of carbon capture and storage, electrification and green hydrogen production through its Infrastructure and New Energy business, which could provide diversified revenue opportunities in the long term.

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 (2021 High)

Likelihood
Medium (2021 Medium)

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

Low oil prices, lack of available funds for investment (see 'Financial' risk) 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:

Appetite

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

Mitigation

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

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

The Group has material reserves and resources at Magnus, Kraken, Golden Eagle and PM8/Seligi that it believes can primarily be accessed through low-cost workovers, subsea drilling and tie-backs to existing infrastructure. During 2022, EnQuest successfully completed a number of well programmes at its Magnus and PM8/Seligi assets. EnQuest continues to evaluate the substantial 2C resources at Bressay and Bentley to identify future drilling prospects and plans to drill an exploration well at PM409 during 2023.

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

Risk

PROJECT EXECUTION AND DELIVERY

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

Potential impact
Medium (2021 Medium)

Likelihood
Low (2021 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 decommissioning and Infrastructure and New Energy projects over an extended period of time.

Related KPIs:

Appetite

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

Mitigation

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

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

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

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

Risk

FISCAL RISK AND GOVERNMENT TAKE

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

Potential impact
High (2021 High)

Likelihood
High (2021 Medium)

There has been no material change in the potential impact; however, the likelihood has increased given the implementation of, and subsequent change to, the UK EPL which will negatively impact free cash flow generation and therefore the Group's ability to balance further deleveraging and investment in its asset base.

Related KPIs:

D E F

Appetite

The Group faces an uncertain macroeconomic and regulatory environment.

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

Mitigation

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

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

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

Risk

INTERNATIONAL BUSINESS

While the majority of the Group's activities and assets are in the UK, the international business is still material. The Group's international business is subject to the same risks as the UK business (for example, 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 (2021 Medium)

Likelihood
Medium (2021 Medium)

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

Related KPIs:

A B D E F G H

Appetite

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

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

Mitigation

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

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

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

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

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

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 (2021 Medium)

Likelihood
Low (2021 Low)

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

Related KPIs:

Appetite

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

Mitigation

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

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

Risk

REPUTATION

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

Potential impact
High (2021 High)

Likelihood
Low (2021 Low)

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

Related KPIs:

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 and corruption course, an anti-facilitation of tax evasion course and a data privacy course.

All personnel are authorised to shut down production for safety-related reasons.

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

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

Risk

HUMAN RESOURCES

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

Potential impact
Medium (2021 Medium)

Likelihood
Medium (2021 Medium)

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

Related KPIs:

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 require creativity and agility to protect against the risk of skills shortages.

Mitigation

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

The Group recognises that its people are critical to its success and so is continually evolving EnQuest's end-to-end people management processes, including recruitment and selection, career development and performance management. This ensures that EnQuest has the right person for the job and that appropriate training, support and development opportunities are provided, with feedback collated to drive continuous improvement while delivering SAFE Results. The culture of the Group is an area of ongoing focus and employee surveys and forums have been undertaken to understand employees' views on areas, including diversity and inclusion, in order to develop appropriate action plans. EnQuest also recognises that fewer young people may join the industry due to climate change-related factors, although the Group's decarbonisation ambitions provide some mitigation to this dynamic. EnQuest aims to attract the best talent, recognising the value and importance of diversity. To ensure improved diversity in the Group's leadership, various targets have been implemented during 2022. Further details on these are set out on page 38. The Group recognises that there is a gender pay gap within the organisation but that there is no issue with equal pay for the same tasks.

EnQuest has reviewed the appropriate balance for its onshore teams between site, office and home working to promote strong productivity and Business performance facilitated by an engaged workforce, adopting a hybrid approach. The Group will continue to monitor such practices, adapting as necessary. 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.

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

Following its introduction in 2019, the Group's Global Employee Forum ('the Forum') has continued to add to EnQuest's employee communication and engagement strategy, improving interaction between the workforce and the Board. During the year, the Board reviewed the purpose of the Forum and determined that its purpose had changed and its primary function was now for the raising of non-strategic issues. As such, the Board agreed that the Forum should continue under the direction of the Director of People, Culture and Diversity. The Board, through its designated Directors for employee engagement, now undertake a wider programme of formal and informal engagement with employees in line with the requirements of the UK Corporate Governance Code to understand the views of the workforce.

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 40 to 51 for further information on how the Group manages its key risk areas). While this provides some formal assurance as to how the Group reinforces its requirements in respect of business conduct, the Board also recognises the importance of promoting the right culture within the Group and this remains an area of focus for the Group.

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

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

EnQuest's Aberdeen office, Annan House

Task Force on Climate-related Financial Disclosures

The Group welcomes initiatives for increased governance and transparency in general, and specifically in relation to climate change. The Board recognises the societal and investor focus on climate change, and the desire to understand potential impacts on the oil and gas industry through improved disclosure, such as those recommended by the Task Force on Climate-related Financial Disclosures ('TCFD'). EnQuest PLC has complied with the recommendations of LR 9.8.6R by including climate-related financial disclosures consistent with the TCFD recommendations except in relation to the disclosure of Scope 3 emissions within the metrics and targets section (items (a) and (b)) given the uncertainty and impracticality in accurately measuring such emissions throughout the value chain. However, this is being considered as part of our Continuous Improvement Plan ('CIP') with alignment to the United Nations-adopted Sustainable Development Goal ('SDG') 12, Responsible Consumption & Production. Until such time as this work is complete, the Group will remain non-compliant in this respect.

	EnQuest disclosures	Additional/related information
Governance Disclose the organisation's governance around climate-related risks and opportunities	EnQuest's purpose is to provide creative solutions through the energy transition. As such, climate-related risks and opportunities are a core part of the organisation's considerations, from Board level to its operational and functional teams, with emission reductions an important part of both management's and the wider organisation's variable remuneration. During 2022, the Board and Executive Committee approved the enhancement of the Group business model to include a focus on repurposing existing infrastructure to support its renewable energy and decarbonisation ambitions, including targeting carbon capture and storage, electrification and green hydrogen production. An organogram outlining the Group's Risk Management Framework can be found on page 42.	See pages 30 to 33 (Environmental), 40 to 51 (Risks), 62 to 64 (s172), 78 to 84 (Audit Committee report), 85 to 102 (Directors' Remuneration Report), 103 to 104 (SSRC report) and 106 to 110 (Directors' report)

(a) Describe the Board's oversight of climate-related risks and opportunities.

The Board takes full responsibility for the governance of climate-related risks and opportunities, building such considerations into several of its processes, including reviewing and guiding strategy and major plans of action alongside setting budgets, plans and objectives and monitoring performance accordingly. The Safety, Sustainability and Risk Committee, a dedicated sub-Committee of the Board, has specific climate-related responsibilities incorporated into its terms of reference, with these responsibilities including assessment of the Group's exposure to managing risks from 'climate change' and reviewing actions to mitigate these risks in line with its assessment of other risks; reviewing and monitoring the Group's decarbonisation activities, including reviewing the adequacy of the associated framework; and reviewing targets and milestones for the achievement of decarbonisation objectives. In addition, a designated member of the Committee has responsibility for the Company's decarbonisation activities. The Safety, Sustainability and Risk Committee generally meets four times per year and, at each meeting, reviews a report sponsored by a Board member of the Committee which includes a summary of performance against short- and long-term emission reduction targets and outlines future opportunities and updates. The Committee also reviews the Group's Risk Management Framework ('RMF') performance report.

The Board receives a separate summarised version of the above update on climate-related issues as part of the health, safety, environment and assurance ('HSEA') report that is delivered during each of the five scheduled Board meetings by the HSEA Director.

The Board also receives reports covering the Group's financial and operational performance, which include the progress being made in developing the Group's new energy and decarbonisation opportunities. Progress in developing these growth opportunities is linked to reward as a component of the Company Performance Contract (see page 94 of the Directors Remuneration Report).

Collectively, the Board and management also keep appraised of the evolving risk and opportunity landscape and its potential impacts on the Company's business by consulting as appropriate with the Group's advisers and appropriate third-party institutions, including fund managers, investors and industry associations such as Offshore Energies UK.

(b) Describe management's role in assessing and managing climate-related risks and opportunities.

The Chief Executive Officer has ultimate responsibility for assessing and managing climate-related risks and opportunities and is supported in this endeavour by the Group's Chief Risk Officer and the HSEA Director.

Management, through a combination of the Executive Committee, Operations Committee and the HSEA Directorate, regularly reviews Company performance and the Group's risk registers. The Chief Financial Officer is responsible for ensuring the Group also applies climate-related risks and opportunities appropriately in its financial statements, including judgements and estimates and other relevant disclosures.

The Group also has an energy management system governance document setting out how it approaches the measurement and reporting of emissions and how the Group will assess and select emission reduction opportunities, with a working group dedicated to the identification and implementation of economically-viable emissions savings opportunities across the Group's portfolio of assets. This working group reports to the Executive Committee regularly and the Safety, Sustainability and Risk Committee at each scheduled meeting.

The Group's legal, commercial, company secretariat, investor relations and communications teams monitor the regulatory, legal, capital markets and competitive/commercial environments, providing reports to management (and the Board) as required.

	EnQuest disclosures	Additional/related information
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	EnQuest's strategic vision is to be the partner of choice for responsible management of existing energy assets, applying our core capabilities to create value through the transition. Its business model covers the full energy transition landscape: Upstream aims to responsibly optimise production to support today's energy needs; Infrastructure and New Energy aims to leverage existing infrastructure through repurposing to deliver new energy and decarbonisation opportunities; while Decommissioning aims to manage end of field life and post-cessation of production operations to deliver safe and efficient execution of decommissioning work programmes in a responsible manner. This integrated business model, which incorporates the Group's plans for transitioning to a lower-carbon economy, provides mitigation against each of the potential climate-related transition risks noted below, which have the potential to have substantive financial or strategic impact unless stated to be 'not material'. The financial or strategic impact of a risk or opportunity is assessed and measured based on the potential net present value ('NPV') negative impact of the particular risk. Specifically, a substantive financial or strategic impact would be defined as a risk or opportunity with a potential impact of greater than £50 million NPV, on a post-mitigation basis. These assessments are made through the Group's annual planning and budgeting process, as well as on an ad hoc basis when assessing specific risks or opportunities that may arise. The Group has an investment committee that reviews investment decisions, with additional support and review provided by the Technical and Reserves Committee (a sub-Committee of the Board) if required.	See pages 3 to 11 (KPIs, Chairman and CEO statements), 14 to 15 (Infrastructure and New Energy review, 20 to 26 (Financial review), 30 to 33 (Environmental), 40 to 51 (Risks) and 124 (Financial statements)

(a) Describe the climate-related risks and opportunities the organisation has identified over the short-, medium-, and long-term.

EnQuest has offshore oil and gas assets in the UK and Malaysia and has assessed climate-related risks and opportunities for this one sector and both geographies. Exceptions are detailed in the table on next page.

EnQuest considers within one year to be short-term (which aligns with the Group's budgeting process), one to three years to be medium-term (both of which are in line with the Group's assessment of going concern and viability, respectively, and the period over which the Group prepares detailed plans) and the longer-term to be beyond three years (for which EnQuest tests its life of field estimates against its internal price assumptions and the International Energy Agency's Announced Pledges ('APS'), and Net Zero Emissions by 2050 ('NZE') scenarios).

Risk type	Climate-related risk / opportunity	EnQuest action
Transition	**Market (all timeframes unless otherwise stated)** • Demand for oil and gas and associated pricing adversely affects the Group's operations and financial condition as the Group's revenue depends substantially on oil prices (long-term) • Emissions trading allowances impact costs (UK only, as Malaysia does not have the same regulatory requirement) • Access to capital (see Financial risk on page 46): The Group has substantial existing credit facilities and needs to invest in its asset base and aims to pursue value-accretive M&A • Supply-side constraints due to competing demand for equipment and/or services as supply chain migrates to support alternate sectors could increase costs and/or result in delayed work programmes, ultimately impacting revenue generation (long-term) • M&A opportunities: Noting other industry participants need to dispose of assets to meet their own targets	• Planning and investment decision process caters for low oil price scenarios and includes a carbon cost associated with forecast emissions • The Group actively monitors current and future oil prices (see Oil and gas price risk on page 45) through its Marketing and Trading organisation, which is also responsible for purchases of emissions trading allowances • The Group closely monitors and manages its funding position and liquidity risk throughout the year (see Financial risk on page 46). EnQuest's new energy and decarbonisation opportunities were a significant factor in attracting new investors in the Group's 2022 refinancing activities • The Group maintains relationships with key stakeholders, including governments, regulators, financial institutions, advisers, industry participants and supply chain counter-parties
	Policy and legal (all geographies) • Regulatory or legislative changes (including emissions trading schemes and flaring allowances, for example): Facility modifications, regulatory sanctions/fines and litigation risk (medium-term) • Country policies (including net zero targets): Facility modification investment, regulatory sanctions/fines and litigation risk (long-term) • Increased direct and/or indirect taxes (long-term)	• Targeted emission reductions and assessing opportunities to reduce flaring, for example (see page 109) • The introduction of the UK Energy Profits Levy includes incentives for both oil and gas and decarbonisation investments, which the Group aims to utilise • Maintaining relationships with government and regulatory bodies • Engaging with a variety of external advisers and appropriate third-party institutions to ensure awareness, advance planning and integration to ensure ongoing compliance
	Reputation (all geographies) • Negative perception of the oil and gas industry • Lack of credible transition plan • Failure to adhere to regulatory or legislative requirements. The perception of the oil industry has impacted access to and the cost of capital. In the longer term, the above risks could impact the willingness of counterparties to transact with EnQuest, increasing costs, the availability of a skilled workforce, leading to higher costs and/or lower revenues, or regulatory or legal action	• Development of Infrastructure and New Energy business linked to reward • Clear and credible emission reduction targets linked to reward • Continued engagement with all stakeholders, including participation in credible climate initiatives, such as the CDP survey and submission of Emission Reduction Action Plans ('ERAP') to the NSTA • Formation of an Emissions Management Team that develops and drives continual improvement on Scope 1 and 2 emission reduction opportunities in line with the Group's overall targets • Regular asset-level emissions measurement, monitoring and reporting with timely corrective action taken if necessary • High standards of business conduct (see page 52)
	Technology (medium- to long-term) • Alternative, lower-emission products and services could accelerate the transition away from oil and gas, impacting demand • Costs of new technologies could limit the timing and economics of existing oil and gas and decarbonisation projects	• Carbon capture and storage studies have identified the potential to store up to 10mtpa of CO_2 from stranded emitters in depleted North Sea reservoirs, while EnQuest's electrification and hydrogen ambitions could harness renewable energy to help decarbonise offshore developments and a number of other industries, respectively • Continued engagement with relevant new energy and decarbonisation stakeholders, including potential strategic and financial partners • Continued engagement with suppliers, requiring provision of services with a lower emissions footprint
Physical	**Acute (short- and medium-term)** • Adverse and/or severe weather resulting in asset downtime and impacting revenue	• Action and response plans, including effective supply change management, to manage risks and extent of downtime to as low as reasonably possible
	Chronic (long-term) • Rising sea levels, tidal impacts and other extreme weather causes extensive/irreparable damage to assets	• EnQuest considers these risks to be not material given the Group's focus on asset integrity and the expected remaining life of its assets

Task Force on Climate-related Financial Disclosures continued

With EnQuest's business model spanning the entire energy transition spectrum, the Group is well positioned to assess and pursue a number of climate-related opportunities.

Opportunity type	Climate-related opportunities	EnQuest action
Energy source (long-term and UK-only at present)	• Use of lower emission sources of energy • Shift toward decentralised energy generation • Use of supportive policy incentives • Use of new technologies	• Assessing the potential to facilitate the electrification of nearby offshore oil and gas assets and planned developments • Assessing onshore wind potential and a new power solution for SVT • Modifying the Heather asset power generation equipment to minimise emissions
Resilience	• Resource substitutes/diversification (UK-only at present) • Participation in renewable energy programmes and adoption of energy efficiency measures • Access to M&A opportunities	• Strengthened climate change oversight through the introduction of an Energy (Emission) Management System - Structure & Governance procedure. The procedure itself is structured to align with the internationally recognised structure for an energy management system in relation to ISO 50001 • Pursuing carbon capture and storage, electrification and green hydrogen production opportunities at scale at SVT (long-term) • New development opportunities to be assessed in terms of low emission power generation (medium-term) • The Group maintains relationships with key stakeholders, including regulators, financial institutions, advisers and industry participants (all timeframes)
Products and services	• Development and/or expansion of low emission goods and services (long-term, with the exception of supplier engagement which is all timeframes) • Ability to diversify business activities (long-term)	• Pursuing carbon capture and storage which will store up to 10mtpa of CO_2 from stranded emitters in depleted North Sea reservoirs • Assessing the potential to facilitate the electrification of nearby offshore oil and gas assets and planned developments • Exploring the potential for harnessing the advantaged natural wind resource around Shetland for the production of green hydrogen and derivatives at export scale in order to provide a low-carbon alternative fuel which could help to decarbonise a number of industries • Continued engagement with suppliers, requiring provision of services with a lower emissions footprint to ultimately improve efficiencies and reduce costs
Market (long-term and UK-only)	• Access to new markets • Use of supportive policy incentives	• Pursuing carbon capture and storage, electrification and green hydrogen production opportunities at scale at SVT
Resource efficiency (all timeframes)	• Use of more efficient production and distribution processes • Use of recycling	• Focused on absolute emission reductions in all operations • Assessment of options to repurpose existing infrastructure prior to any decision to cease production and begin asset decommissioning • Decommissioning business seeks to maximise reuse and/or recycling

(b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

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, with climate change representing one of many potential influencing factors on the oil price. In the short to medium term, EnQuest reviews the impact of different oil prices in its going concern and viability assessments. The Group's Marketing and Trading team is responsible for optimising sales of the Group's production, including developing and implementing the Group's hedging programme. The potential impact of a change in oil price on the Group's carrying amount of oil and gas assets is outlined in note 2 of the Financial Statements. The Group's Marketing and Trading team is also responsible for purchasing emissions trading allowances in the UK, with the costs of these allowances forecast to make up almost 10% of the Group's operating costs in 2023.

The Group monitors its cash position, cash forecasts and liquidity on a regular basis and takes a conservative approach to cash management, with variance analysis run to reflect different scenarios. This is done to identify risks to liquidity and covenant compliance and enable management to formulate appropriate and timely mitigation strategies as necessary. Specific financial risks of climate change considered include access to, and cost of, capital, insurance and decommissioning surety bonds as investors' and insurers' appetite for exposure to the oil and gas sector reduces across all timeframes. It is difficult to quantify the precise impact on access to and cost of capital given the number of other constituent factors in such transactions, including the state of global financial markets at the time such a transaction takes place. The potential impact of a change in the Group's discount rate, which considers the Group's cost of capital, is outlined in note 2 of the Financial Statements.

The Group has a proven track record of executing value-accretive acquisitions, although the timing of such events is uncertain. 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 oil and gas resources, with gas resources offering product diversification into a necessary transition fuel. Where new assets are acquired, there will be a clear emission reductions 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.

As part of EnQuest's plans for transitioning to a lower-carbon economy, the Group established an Infrastructure and New Energy ('I&NE') business in 2021, with responsibility for delivering the Group's short- and medium-term emission reduction objectives and advancing longer-term renewable energy and decarbonisation opportunities. These opportunities are centred around repurposing the strategically advantaged Sullom Voe Terminal, which the Group operates, positioning EnQuest as a credible energy transition company. The Group considers emission-reducing facility modifications as part of its operational budget and planning process. New energy and decarbonisation activities are currently being pursued and the Group is engaging with potential strategic and financial partners.

EnQuest is also monitoring progress against the UK North Sea Transition Deal ('NSTD') goals which contribute to the UK Government's target of net zero by 2050. All milestones occur in the medium to long term.

(c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

The Group has measured the resilience of its existing portfolio and future development plans using the estimated oil price and cost of emissions, with the oil price deemed to be the most influential risk to its business, that would prevail under the International Energy Agency's Announced Pledges ('APS'), and Net Zero Emissions ('NZE') Scenarios. The APS includes all recent major national announcements as of September 2022 for 2030 targets and longer-term net zero and other pledges and is considered to be a scenario achieving an emissions trajectory consistent with keeping the temperature rise in 2100 below 2°c, while the NZE shows an accelerated pathway for the global energy sector to achieve net zero CO_2 emissions by 2050. The Group continues to generate positive free cash flow when using assumptions based on the SDS, although cash flow becomes negative when using assumptions based on the NZE. As outlined in the Group's going concern and viability statements on pages 25 and 26, should oil prices be lower than assumed in its Base Case projections, the Group may be required to undertake mitigating actions to meet its various financial obligations. EnQuest's business model enables the Group to adapt to a changing external environment, with short-cycle investments reducing the risk of 'stranded assets' in its upstream business, while the Group is pivoting towards new energy and decarbonisation with the activities being pursued in its I&NE business.

Task Force on Climate-related Financial Disclosures continued

	EnQuest disclosures	Additional/related information
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks	The Group has robust risk management and business planning processes that are overseen by the Board, the Safety, Sustainability and Risk Committee and the Executive Committee in order to identify, assess and manage climate-related risks, while the Audit Committee oversees the effectiveness of the Risk Management Framework. The risk landscape inputs and considerations are outlined on page 42 and cover long-term macro factors and near-term and emerging risks.	See pages 40 to 51 (Risks) and 103 to 104 (Safety, Sustainability and Risk Committee report)

(a) Describe the organisation's processes for identifying and assessing 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, as outlined below, identifying relevant threats and how they are mitigated, while the adequacy and efficacy of controls in place are themselves also monitored. This integration enables the Group to quickly identify, escalate and appropriately manage emerging risks, with a quarterly RMF report reviewed by leadership teams and presented to the Safety, Sustainability and Risk Committee. All risks are assessed based on their estimated potential impact and likelihood with respect to people, environment, asset/business and reputation ('PEAR') on a pre- and post-mitigation basis, with judgements reviewed by peers and/or management as appropriate.

The Group seeks to contribute positively to net zero across the UK and the industry and seeks to ensure that suitable and sufficient controls are in place to deliver against its environmental, social, governance ('ESG') strategy. EnQuest uses Hurdle Risk as the risk management tool for identification, measurement and mitigation of risks. The Risk Management Process takes place across four key areas: Group, Region, Asset and Functional:
- Group level – An Enterprise Risk Register and Risk Report provides the Board and executive management with a single view of risk across the Group to aid strategic decision making. This reflects the overall Risk Management Strategy and responses to individual risks, including climate-related risks, with a focus on reporting risks that are critical from a decision-making perspective. Critical risks are those that are assessed as having the greatest potential impact and likelihood with respect to PEAR on a pre- and post-mitigation basis
- Region level – Risk registers are available for the North Sea and Malaysia. These registers include details of all relevant operational, execution, HSE, organisational, financial, legal and contractual risks facing each of the business units;
- Asset level – Risk registers are developed for all operated assets. These registers include details of all relevant operational, executional, HSEA, organisational, financial, legal and contractual risks facing each asset; and
- Functional level – A risk register is developed for any improvement opportunities and deficiencies in the risk controls for the legal, commercial, HSEA, organisational, financial and business services risk categories. The functional assessments review the effectiveness of policy and management systems in place and identify critical gaps and/or areas of non-compliance within the Group.

Through EnQuest's Environmental Management System, all environmental aspects and risks are identified using EnQuest's Environmental Aspects and Impacts Identification Procedure and are recorded in an Environmental Aspects and Impacts Register. Similarly, the process of developing an asset or project-specific aspects and impacts register entails a systematic review of operational activities, identifying effective control measures, mitigations and/or improvement plans at all stages in the project life cycle from inception, through to abandonment and decommissioning. The people undertaking this process shall be competent with the requisite experience and technical knowledge, so that a high quality review of an activity, project, process, design or an operation is carried out. Aspects may be identified through workshops, meetings, reviews and audits and separated into two groups; planned and unplanned. EnQuest has also established an Identification and Evaluation of Compliance Obligations Procedure in order to ensure that the organisation is aware of and understands how its activities are (or will be) affected by current and new legislative requirements. This procedure is aligned with the requirements of ISO 14001:2015. Furthermore, the Group strengthened its climate change oversight through the introduction of an Energy (Emission) Management System – Structure & Governance procedure (as noted in the Strategy (a) disclosure). The HSEA team keeps up-to-date with the identification and maintenance of awareness of compliance obligations through professional subscriptions, by consulting relevant websites, including regulatory and government departments, as well as through training, attendance of seminars, conferences, network forums and meetings. Consultations with government, other regulatory agencies and any other stakeholders may also be required. Other compliance requirements are identified and recorded from the Group's HSEA Policy, licences, permits and authorisations and industry standards and codes of practice. The result of the evaluation of compliance is detailed in the monthly KPI report, while on a routine basis, the HSEA teams review and discuss open non-conformances and any new legal requirements.

(b) Describe the organisation's processes for managing climate-related risks.
The Safety, Sustainability and Risk Committee also provides a forum for the Board to review selected individual risk areas in greater depth. Climate change is categorised as a standalone risk area within the Group's 'Risk Library', allowing the application of EnQuest's RMF to underpin its approach in this important area. For each risk area, the Safety, Sustainability 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 cover both physical and transition risks in accordance with the TCFD framework (as outlined in the Strategy section (a)). They are also considered within the context and review of several other risk areas, such as oil price, which are considered by the Board to be a more material risk than climate change on a standalone basis (see the Strategy and Risk management sections for the Group's assessment of financial materiality and potential impact and likelihood with respect to PEAR, respectively).

A Continuous Improvement Plan ('CIP') describes EnQuest's improvement initiatives, what the Company will do to achieve them and how it will measure success. Specific objectives, targets and actions are developed and cascaded to all levels within the organisation, including a number related to the management of climate-related risks.

In addition to the CIP, EnQuest has defined Key Performance Indicators ('KPIs'), which are used to monitor performance. They take into account the significant environmental aspects and the Company's compliance obligations.

(c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

See the Risk management disclosure (a) for a description of how climate-related risks are integrated into EnQuest's overall RMF. Risks are uploaded to the Group's risk software tools which assign ownership for the risks with associated systemised monitoring of mitigations being closed out. These systems require the risk owner to assess the materiality of each given risk before and after mitigations in accordance with the Group's materiality thresholds (outlined in the metrics and targets section below).

	EnQuest disclosures	Additional/related information
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	Absolute emissions and their reduction are a key area of focus for EnQuest given the Group's commitment to play its part in the UK's drive towards net zero by 2050 (2045 in Scotland). EnQuest operates offshore in the UK and Malaysia, which are highly-regulated mature hydrocarbon provinces. The Group has a well-established HSEA Policy outlining its commitment to integrating environmental management into its operations, with its Environmental Management System ensuring the Group manages and mitigates its impact on the environment and complies with the regulatory requirements in the areas in which it operates. Through this process, the Group has not identified any material risks associated with water, energy, land use, and waste management. EnQuest has considered the climate-related metric categories in Table A2.1 within the TCFD implementation guidance, but has not set any other metrics or targets beyond those listed below.	See pages 3 (KPIs), 14 to 15 (Infrastructure and New Energy review), 30 (Environmental), 64 (s172), 94, 96 and 102 (CPC and PSP disclosures within the Directors' Remuneration Report) and 109 (GHG emissions disclosures in the Directors' report)

	EnQuest disclosures	
	Metric	**Description**
(a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Scope 1, 2 and 3 absolute emissions and emissions intensity	EnQuest operates in an industry and geography in the UK that has agreed medium- and long-term absolute Scope 1 and 2 emission reduction targets, expressed as percentage reductions in tonnes of CO_2 equivalent emissions. As such, the Group monitors progress against these and its own associated targets (see metrics and targets (c)). The Group has defined criteria for screening and ranking emission reduction opportunities within its existing operations, including: the potential contribution to the Group's targets; economic indicators; the chance of success; time to implement; and any risks to the Group's production. The Group also monitors its emissions intensity ratio (as set out in the Directors' report on page 109), recognising the impact this metric has on certain risks and opportunities, such as reputation, access to capital and M&A opportunities.
	Transition risks and carbon prices	The Group primarily produces oil from its offshore installations and so deems the oil price and costs of emissions to be the most material risks to its business, particularly as these metrics are impacted by other of the identified transition risks and opportunities outlined in Strategy (a). As such, the Group actively monitors the price of oil and cost of emissions trading allowances, hedging a proportion of its exposure to oil prices to ensure a minimum price is received for its production. EnQuest uses oil and carbon prices in its internal planning and investment (including M&A) decision-making processes. The Group's forward-looking oil prices are disclosed in note 2 of the financial statements, while the carbon price is set in relation to the UK Emissions Trading Scheme forward price curve. For 2023, the carbon price is £75 per tonne.

Task Force on Climate-related Financial Disclosures continued

	EnQuest disclosures	
	Metric	**Description**
(a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. (continued)	Physical risks	All of the Group's assets are in offshore environments and so subject to physical risks, as outlined in Strategy (a).
	Climate-related opportunities	Within the Group's I&NE business, EnQuest is assessing opportunities that could deliver operations at scale in the long term. For example, the Group's carbon capture and storage opportunity has identified the potential to store up to 10mtpa of CO_2 from stranded emitters in depleted North Sea reservoirs, potentially taking the Company beyond net zero, in comparison to the Group's reported Scope 1 and 2 emissions footprint.
	Capital deployment	The Group's new energy and decarbonisation projects are at an early stage. As such, EnQuest is currently allocating less than 2% of its operating and capital expenditure budget to such activities to minimise regret costs. Such expenditures are reset on an annual basis.
	Remuneration	The Group's emission reduction targets and progress of its energy transition and decarbonisation strategy development and execution are linked to short-term and long-term remuneration, as set out in the Directors' Remuneration Report.
(b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ('GHG') emissions, and the related risks.	As outlined in the Directors' report, EnQuest discloses Scope 1 and 2 emissions and associated intensity outcomes on an operational control basis. The Group is cognisant of the risks of access to capital and people, rising emission costs and reputational and regulatory risks associated with failure to adhere to policies and guidelines or missing targets.	
(c) Describe the targets used by the organisation to manage climate-related risks and opportunities, and performance against targets.	The Board's goal is to be as ambitious as it can in setting decarbonisation targets, while balancing the economic realities of operating late-life assets. As such, in 2021 the Board approved a targeted 10% reduction in EnQuest's absolute Scope 1 and 2 emissions from its existing portfolio over three years, from a year-end 2020 baseline. As at 31 December 2022, Group emissions had been reduced by c.23% against the 2020 baseline. Discrete targets for emission reductions compared to 2021 associated with diesel use and flaring were also set, for which performance was assessed as being between target and stretch. As at 31 December 2022, UK emissions had been reduced by c.43% against the 2018 baseline, significantly ahead of the North Sea Transition Deal targets of achieving a 10% reduction by 2025 and close to the 50% reduction targeted by 2030. During the year, the Group made excellent progress in each of its new energy and decarbonisation opportunities. In carbon capture and storage, studies have identified the potential to store up to 10mtpa of CO_2 from stranded emitters in depleted North Sea reservoirs, while EnQuest's electrification and hydrogen ambitions could harness renewable energy to help decarbonise offshore developments and a number of other industries, respectively, with ambitions to produce around one million tonnes of green hydrogen annually. These opportunities remain at an early stage and require further regulatory and fiscal development before appropriate financial targets can be considered.	

Stakeholder engagement

SECTION 172 STATEMENT

The Board has acted in a way that it considers to be most likely to promote the success of the Company for the benefit of its members as a whole and, in so doing, has regard for the potential impact of the Group's activities on its various stakeholders.

In the majority of cases, information and feedback are provided throughout the year to the Directors by the Group's Executive Directors, senior and functional management and external advisers through a variety of Board reports, presentations and ad hoc correspondence. These reports cover the Group's financial, operational and environmental performance, while EnQuest's advisers provide the Board with relevant insight from their interactions with their respective stakeholders.

When appropriate, the Directors seek further understanding of the concerns of relevant stakeholders, which could include direct engagement by the relevant Director and/or requesting additional information to ensure they have a full appreciation of a given matter prior to making any decisions. As such, the Directors are able to assess the impact of business decisions on stakeholders and fulfil their duty to promote the long-term success of the Group.

The Directors consider principal decisions (outlined on page 64) on the basis of materiality of the incremental impact they are anticipated to have on the Company's stakeholders and/or the Company itself. Throughout the year, the Board and management team considered various M&A opportunities. For several of these, it was decided that their pursuit would not be in the interests of the Group's stakeholders, reflecting EnQuest's in-depth review processes (including those by the Technical and Reserves Committee) and focus on capital discipline.

Stakeholder groups

A Our people
Our employee and contractor workforce is critical to the delivery of SAFE Results and EnQuest's success. As such, we are committed to ensuring EnQuest remains a great place to work. We have a strong set of Values that underpin our way of working and provide a rewarding work environment, with opportunities for growth and learning while contributing to the delivery of our strategy.

B Investors
Our investors support management in the execution of EnQuest's business strategy, including the provision of capital for management to develop the business in order to deliver returns in a responsible manner.

C Partners
We collaborate with our existing joint venture partners, securing their support to deliver our asset plans. We value their contribution to the effective operational and financial management of our assets as we deliver on our business strategy.

In pursuit of the Group's Infrastructure and New Energy ambitions, we also engage with potential strategic and financial partners.

D Host governments and regulators
We work closely with the host governments and regulators in the jurisdictions in which we operate. The Group complies with the necessary regulatory requirements, including those related to environmental matters such as reducing emissions, to ensure it maintains a positive reputation and licence to operate, enabling the effective delivery of the Group's strategy.

E Suppliers
EnQuest relies on its suppliers to provide specialist equipment and services, including skilled personnel, to assist in the delivery of SAFE Results.

F Communities
Making a positive contribution, and appropriately managing our environmental impact in the communities in which we live and work around the world, remains a key part of our activities. Our communities provide a potential source of employees, contractors and support services, and are important in supporting EnQuest's social licence to operate and maintaining a positive reputation.

G Customers
Our customers help facilitate the provision of hydrocarbon-related products to meet a variety of consumer demands and, as such, require a reliable supply of hydrocarbons to meet their needs.

We have also begun engaging with potential customers in relation to our carbon capture and storage and electrification opportunities as part of our Infrastructure and New Energy business.

Direct Board level engagement in 2022	Other engagement activities in 2022
Three Global Employee Forum meetings per year with designated Non-Executive Directors were organised; video messages; subject matter expert virtual and physical attendance at scheduled Board and Board Committee meetings; physical and virtual safety leadership engagement visits; three interactive virtual Town Hall Meetings.	See the accompanying principal decisions on page 64 and pages 38 to 39 of the ESG section which detail the various people-related initiatives implemented during the year, including the employee surveys and those related to our people's safety and wellbeing.
Virtual and physical meetings (including the Annual General Meeting, post-results roadshows and multiple investor conferences and ad hoc meetings), calls and direct correspondence with a wide range of equity and debt investors in relation to the Group's refinancing plans and delivery against its strategic objectives.	See the accompanying principal decisions on page 64 and the Strategic report on pages 02 to 64, which explains the Group's performance and investment decisions during the year. Page 71 of the Corporate governance statement outline in more detail how the Group engages with its investors. Financing is identified as one of the Group's Principal risks and uncertainties on page 46.
Virtual and physical meetings and calls.	The Group has regular engagement with its joint venture partners on day-to-day asset management and the execution of the longer-term asset strategy. This occurs through a combination of formal interactions, governed by joint operating agreements, and via informal engagement. See pages 12 to 17 of the Strategic report for further details on operational and financial activities and decisions undertaken across our assets. Joint venture partners are recognised as one of the Group's Principal risks and uncertainties on page 50.
Virtual and physical meetings and calls with the North Sea Transition Authority ('NSTA') in the UK and Malaysian Petroleum Management ('MPM') in Malaysia. A number of meetings have been held with the Shetland Islands Council ('SIC') in relation to the Group's Infrastructure and New Energy business, while several meetings and other correspondence have been undertaken with UK Treasury officials on the UK's Energy Profits Levy ('EPL').	See the Strategic report on pages 02 to 64 and the Group's Principal risks and uncertainties on pages 40 to 51, which outline EnQuest's strong relationships with governments and regulators. Pages 30, 33 to 35 and 39 of the ESG section and pages 106 to 110 of the Directors' report outline further details on the Group's regulatory compliance activities.
None	The Group has continued its active and positive engagement with its suppliers through various supplier forums, performance reviews, ad hoc virtual meetings and industry events. The Group continues to monitor and report its supplier payment performance. Please also see the Group's Principal risks and uncertainties on pages 40 to 51, a number of which are impacted by the Group's supplier relationships.
None	See pages 36 to 37 of the ESG section which outline the Group's community engagement activities and environmental considerations, with the importance of maintaining a positive reputation outlined in the Group's Principal risks and uncertainties on page 50.
None	We have maintained strong relationships with existing customers, including fuel oil blenders to whom the Group supplies Kraken oil as an unrefined constituent of IMO 2020 compliant low-sulphur bunker fuel.

Stakeholder engagement continued

Principal decision and impacted stakeholders | Stakeholder considerations and impact on the long-term sustainable success of the Company

Energy transition and decarbonisation strategy development and execution

Impacted stakeholders:

Following the establishment of the Infrastructure and New Energy business in 2021, the Group enhanced its business model to include a focus on repurposing existing infrastructure to support its renewable energy and decarbonisation ambitions. Further assessment of the strategic advantages of the Sullom Voe Terminal has resulted in the Group targeting three specific opportunities: carbon capture and storage of up to 10 million tonnes per annum ('mtpa') in redundant offshore hydrocarbon reservoirs; electrification of offshore assets from a combination of wind power and grid connection; and production of green hydrogen and associated products from wind power. Each of these projects was determined to align with the energy transition and offer significant decarbonisation potential for a number of industries.

For more information on the good progress made throughout 2022, see the 'Infrastructure and New Energy' section on pages 14 to 15.

At this stage, the Board supports the strategy of unlocking these opportunities in a capital-light manner with single-digit-million expenditure per annum. The Board considers these activities important in attracting and retaining investment and talent across the Group, potentially providing long-term employment opportunities in Shetland.

Reducing and refinancing the Group's debt facilities while remaining focused on further deleveraging

Impacted stakeholders:

Through feedback from management, investors and advisers, the Board was aware of the need to maintain a focus on deleveraging while actively pursuing the refinancing of the Group's reserve based lending ('RBL') and bond facilities to provide a better balance to the capital structure and extend debt maturities. This resetting of the balance sheet would also provide EnQuest's people, partners, suppliers and customers with confidence in the Group's ability to deliver on its ambitions, while positively altering investors' view of the Company's risk profile.

With a challenged credit market, EnQuest pursued a phased approach to its refinancing activity, starting with its retail bond offering. The retail bond refinancing was conducted in April under an exchange and cash offer process, allowing both existing and new holders to participate. Following a successful refinancing, EnQuest assessed whether it was the right time to progress with the RBL and high yield bond refinancing activities. The combination of market feedback and the Board's confidence in the Group's material cash generating capability, led to the decision to defer these elements of the refinancing process until a later date.

After delivering significant free cash flow generation and repaying the Group's RBL by the end of September, EnQuest sought further market and adviser feedback before commencing on a successful upsizing of the RBL and a materially reduced high yield bond, providing an improved mix of debt facilities and a platform to deliver on the Group's strategy.

The Board remains focused on further deleveraging towards the Company's target of 0.5x EnQuest net debt to adjusted EBITDA. Following the UK Government's decision to amend the Energy Profits Levy by increasing the tax rate and extending the duration of implementation, the Group has re-evaluated its investment plans and has deferred further expenditure associated with the Kraken asset to focus on low-cost, quick payback investments at its Magnus asset to facilitate further debt reduction.

For further information, see pages 20 to 26 of this Strategic report and note 18 to the financial statements.

Board succession

Impacted stakeholders:

Effective succession planning remains a key focus area for the Board, Governance and Nomination Committee and management. Following Jonathan Swinney notifying the Board of his intention to step down from the Board as Chief Financial Officer ('CFO') and Executive Director in March, it was agreed that Salman Malik, who had long been identified as a potential CFO successor, would succeed Jonathan. Salman had been a member of EnQuest's Executive Committee for several years and has a wealth of industry and financial experience, alongside developing the Group's Infrastructure and New Energy business. He led some of the Group's most recent business development activities, particularly the Magnus and Golden Eagle transactions, which have added material value to the Group. Given the Group's ongoing attention on deleveraging, refinancing, creative M&A and repurposing existing infrastructure to deliver EnQuest's decarbonisation ambitions, the Board was confident his appointment would be positively received by the Group's stakeholders.

In June, Martin Houston notified the Board of his intention to step down as Non-Executive Chairman to focus on his other business interests. Howard Paver, Senior Independent Director, led the search for Martin's successor. During this process, Howard engaged with several of the Group's major shareholders to understand their views on the necessary attributes of Chair candidates. Following a thorough search, and having consideration for shareholders' views, the Board appointed Gareth Penny as Non-Executive Chairman in December 2022. Gareth has a wealth of board-level experience, having chaired both public and private boards, along with extensive experience in extractive industries, having spent 22 years with De Beers and Anglo American.

For more information, see page 11 of this Strategic report and pages 68 to 77 of the Corporate governance section.

Chris Sawyer
Company Secretary

The Strategic report was approved by the Board and signed on its behalf by the Company Secretary on 4 April 2023.

Executive Committee

Richard Hall

Managing Director – Global Operations and Developments

Key strengths and experience
- Significant international experience
- Senior positions held in operations, field development, business development and project roles for both operators and service companies

Richard rejoined EnQuest in December 2020 as Managing Director in Malaysia and now has overall responsibility for the Group's operations and development projects.

Richard previously worked for EnQuest as part of the Executive Committee as Head of Major Capital Projects where he was instrumental in taking Kraken from project concept stage through to production. Prior to joining EnQuest, Richard held roles at Petrofac, including: vice president of operations & developments; and general manager in Malaysia, where he started Petrofac Malaysia. Richard went on to be co-founder and CEO of Malaysia-focused Nio Petroleum and has also been chairman and CEO of the private equity backed service company Influit. He was also one of four founders and operations director of the service company UWG Ltd.

Janice Doyle

Director of People, Culture and Diversity

Key strengths and experience
- Strong experience in the energy sector
- A Fellow of the Chartered Institute of Personnel and Development

Janice joined the Executive Committee in August 2020 after two years as UK Head of Human Resources. She has held HR leadership roles in a variety of sectors, including oil and gas and transportation. Prior to joining EnQuest, Janice was head of HR for Repsol Sinopec Resources. She also holds a masters of law degree in employment law and a BA in hospitality management.

In recent years, Janice has overseen the Group's 2020 transformation programme and the institution of EnQuest's Diversity and Inclusion Policy.

Martin Mentiply

Business Development Director

Key strengths and experience
- Over 25 years' experience in senior technical and commercial roles
- Extensive geographical experience

Martin joined EnQuest in 2016 and is responsible for all business development-related activities across the Group. He has over 25 years of broad international oil and gas operator experience. Throughout his career he has gained significant technical and commercial expertise in field development planning, project execution, reservoir management and investment assurance across the value chain, from upstream through to LNG.

Chris Sawyer

General Counsel and Company Secretary

Key strengths and experience
- International legal experience, having managed teams supporting multiple geographies in energy and natural resources in all phases of development and operations
- Wealth of experience in mergers and acquisitions

Chris joined EnQuest in January 2023 from bp, where he was assistant general counsel, oil regions and production and operations. He has an MA in Jurisprudence from Oxford University and obtained his legal professional qualifications at the College of Law in Chester.

Chris has responsibility for the commercial and legal affairs of the Company and holds the offices of General Counsel and Company Secretary and Chief Risk Officer.

Note:
Chief Executive Officer and Chief Financial Officer are also members of the Executive Committee. You can see their profiles on page 66

Board of Directors

G R

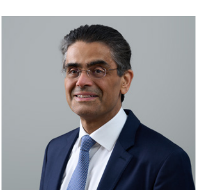
Gareth Penny

Non-Executive Director
Appointed 06 December 2022

Key strengths and experience
- A wealth of board-level and extractive industry experience

Gareth, having chaired a number of public and private boards, joined EnQuest in December 2022. He is currently chairman of Ninety One Plc and Ltd, having previously been chairman of Norilsk Nickel, Russia's largest diversified mining and metals company. Gareth also served on the board of Julius Baer Group for 12 years. Gareth has extensive experience in extractive industries, having spent 22 years with De Beers and Anglo American, the last five of which he was group chief executive officer of De Beers.

Principal external appointments
Chairman of Ninety One Plc and Ltd.



G

Amjad Bseisu

Chief Executive
Appointed 22 February 2010

Key strengths and experience
- Extensive energy industry and leadership experience

Amjad worked for the Atlantic Richfield Company ('ARCO') from 1984 to 1998, eventually becoming president of ARCO Petroleum Ventures. In 1998, he founded and was the chief executive of Petrofac Resources International Limited which merged into Petrofac PLC in 2003. In 2010, Amjad formed EnQuest PLC, having previously been a founding non-executive chairman of Serica Energy PLC and a founding partner of Stratic Energy Corporation. Amjad was chairman of Enviromena Power Systems Ltd., the largest solar power engineering company in the MENA region, until its sale in 2017. Amjad was British Business Ambassador for Energy from 2013 to 2015.

Principal external appointments
Chairman of the independent energy community for the World Economic Forum since 2016. Director of The Amjad and Suha Bseisu Foundation since 2011.

Salman Malik

Chief Financial Officer
Appointed 15 August 2022

Key strengths and experience
- Significant capital markets and mergers and acquisitions experience
- Retains role as Managing Director, Infrastructure and New Energy, overseeing EnQuest's renewable energy and decarbonisation business

Salman joined EnQuest in 2013 and is a CFA charter holder, with extensive experience in investment management, investment banking and private equity in Canada and the Middle East. Prior to his appointment as CFO, Salman has been a key member of the senior leadership team, responsible for EnQuest's global strategy and business development. This includes the creation of a renewable energy and decarbonisation hub at the Group's Shetland operation, which Salman continues to oversee. With his extensive experience in structured finance, acquisitions, post-acquisition management and divestitures across the energy value chain, Salman brings a drive to ensure that EnQuest's investment and growth ambitions are delivered.

Principal external appointments
None.

R A G T

Howard Paver

Senior Independent Director
Appointed 1 May 2019

Key strengths and experience
- 40 years' global experience in exploration, development and production, including 20 years at senior executive level

Howard is a petroleum engineer and began his professional career at Schlumberger before moving to Mobil and then BHP Petroleum, where he was regional president, Europe, Russia, Africa & Middle East, before becoming president, global exploration & alliance development. He most recently served as SVP, strategy, commercial & business development at Hess, a role he took up in July 2013, having joined the company in 2000 as senior vice president, North Sea/international. Between 2005 and 2013 he held the position of SVP, global new business development.

Principal external appointments
Non-executive director of OGL Geothermal Ltd.

A S

Carl Hughes

Non-Executive Director
Appointed 1 January 2017

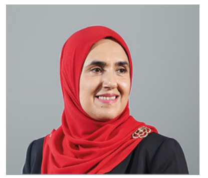
Key strengths and experience
- Substantial audit and accounting experience in the energy sector

Carl is a Fellow of the Institute of Chartered Accountants in England and Wales, and a Fellow of the Energy Institute. Carl joined Arthur Andersen in 1983 and became a partner in 1993. Throughout his professional career he specialised in the oil and gas, mining and utilities sectors, becoming the head of the UK energy and resources industry practice of Andersen in 1999 and subsequently of Deloitte in 2002. When Carl retired from the partnership of Deloitte in 2015, he was a vice-chairman, senior audit partner and leader of the firm's energy and resources business globally.

Principal external appointments
Board member of the Audit Committee Chairs' Independent Forum. Member of the General Synod of the Church of England. Deputy chairman of the finance committee of The Archbishops' Council.

Committees key

- A Audit
- G Governance and Nomination
- R Remuneration and Social Responsibility
- S Safety, Sustainability and Risk
- T Technical and Reserves
- Denotes Committee Chair



A R

Farina Khan

Non-Executive Director

Appointed 1 November 2020

Key strengths and experience

- Strong energy industry and financial experience, as well as deep insights into Malaysia

Farina is a Fellow of the Institute of Chartered Accountants Australia and New Zealand. She started her career in 1994 with Coopers & Lybrand, Australia, before returning to Malaysia in 1997 to join PETRONAS, where she held various senior positions. Farina was chief financial officer of PETRONAS Carigali Sdn. Bhd, one of the largest subsidiaries of PETRONAS with operations in over 20 countries and has also been chief financial officer at PETRONAS Exploration and Production. From 2013, Farina was the chief financial officer of PETRONAS Chemical Group Berhad, the largest listed entity of PETRONAS. Farina left PETRONAS in 2015 to pursue non-executive opportunities.

Principal external appointments

Senior independent director and member of the board of PETRONAS Gas Berhad.Member of the boards of the following Malaysian listed companies: KLCC Property Holdings Berhad, AMMB Holdings Berhad Icon Offshore Berhad.

S T

Rani Koya

Non-Executive Director

Appointed 1 January 2022

Key strengths and experience

- Technical, project management and executive management roles in major energy companies, working on six continents

Rani is CEO of OGL Geothermal Ltd. and has 25 years' experience working within large multinational, independent and start-up energy companies. These include Shell International, Hess and Tullow and have involved a variety of technical, project management and executive management roles across Europe, Asia, the Americas and Africa. Between 2017 and 2020 Rani was chief petroleum engineer at Tullow. She has led multi-billion-dollar projects across the globe from unconventional shales in the US to oil developments in East Africa.

Principal external appointments

CEO of OGL Geothermal Ltd., Fellow of the Energy Institute, Fellow of the Institution of Mechanical Engineers & Trustee of Lloyds Register Foundation.

A S

Liv Monica Stubholt

Non-Executive Chairman

Appointed 15 February 2021

Key strengths and experience

- Extensive experience of the energy industry, public policy and governance

Liv Monica has 20 years' experience as a corporate lawyer. She started her career as an attorney before becoming political adviser to the Centre Party Finance Parliamentary Group. From 1997, she spent two years as a legal adviser to an industry alliance for private ownership before becoming partner at her original law firm. In 2005, Liv Monica moved back into politics and was Norway's Deputy Minister of Foreign Affairs for two years, followed by two years as Deputy Minister of Petroleum and Energy. Liv Monica rejoined the private sector in 2009 and held four top executive industry positions within the Aker Group in Norway, including as EVP in the listed EPC contractor Kværner, before moving back into law in 2015.

Principal external appointments

Partner at the Oslo-based law firm Selmer. Sits on a number of private company boards, industrial boards and academic committees, including as chairperson of Hafslund Oslo Celsio (formerly Fortum Oslo Varme AS), Silex Gas Norway and Morrow Batteries.

T S

John Winterman

Non-Executive Chairman

Appointed 7 September 2017

Key strengths and experience

- Extensive technical leadership experience in global exploration, business development and asset management

John is a member of the American Association of Petroleum Geologists. John joined Occidental in 1981 as a geologist with the company and had a strong record of exploration success globally, with over two billion barrels of oil equivalent discovered in the Philippines, Indonesia, Bangladesh, Malaysia, Russia, the US and Yemen. After a 20+ year technical career, John moved into executive roles, including high-level executive leadership positions. John left Occidental in 2013 and since then has provided strategic, technical and performance management advice to oil and gas companies.

Principal external appointments

Non-executive director of CC Energy.

Chairman's letter

"Corporate governance is an essential part of our overall framework, supporting both risk management and the Group's core Values."

Gareth Penny
Chairman

Dear shareholder

On behalf of the Board of Directors (the 'Board'), I am pleased to introduce EnQuest's Corporate governance report.

I was appointed to the Board on 6 December 2022 and am delighted to join an independent energy company with an advantaged business model suitable for the energy transition. I would like to extend my thanks and appreciation to Martin Houston, who stepped down from the Board on 6 December 2022. Much was achieved during his time with the Group.

We have had several planned changes in Board membership during the year. As reported last year, on 1 January 2022, we welcomed Rani Koya as a Non-Executive Director, while Philip Holland stepped down from the Board following EnQuest's AGM on 17 June 2022, having served on the Board for nearly seven years. Jonathan Swinney notified the Board of his intention to step down from the Board as Chief Financial Officer ('CFO') and Executive Director in March, and it was agreed that Salman Malik, who had long been identified as a potential CFO successor, would succeed Jonathan. Salman was appointed as CFO and Executive Director on 15 August 2022. It is always gratifying to see succession from within the organisation; Salman has been with EnQuest since 2014 and is a member of the Executive Committee, also holding the position of Managing Director, Corporate Development, Infrastructure and New Energy. On behalf of the whole Board, I extend thanks to Jonathan and Philip for their contributions over many years.

Following Martin Houston's resignation in June 2022, the Governance and Nomination Committee, on behalf of the Board, appointed a sub-Committee led by Howard Paver, Senior Independent Director, to undertake the replacement Chair search. The Committee also reviewed our Board Committee composition during the year to reflect better the expertise and time commitments of the Non-Executive Directors. Key changes to the Committees included the appointment of Rani Koya to the Technical and Reserves Committee and as Chair to the Safety, Sustainability and Risk Committee (formerly the Safety, Climate and Risk Committee). Rani's appointment as Committee Chair followed Liv Monica Stubholt, who we had previously reported as intending to take on the role of Chair, reflecting on the role requirements and confirming she was unable to give it the time commitment she thought appropriate. The report of the Governance and Nomination Committee work during 2022 follows on immediately from this Corporate Governance Statement.

A significant amount of time was spent on reviewing the Group's refinancing activities and I am delighted that we successfully reduced our gross debt by c.$483 million over the year and materially extended our debt maturity profiles to 2027 through a combination of strong cash flow generation and the refinancing of each of our debt instruments. Against a volatile macroeconomic and geopolitical backdrop, it is important to note that EnQuest was able to access additional support from its syndicate of lender banks, including the introduction of institutions attracted to the opportunities presented by the Group's Infrastructure and New Energy business. This was a significant achievement which has rebalanced the Group's capital structure.

There is a strong commitment across the organisation to create a more diverse and inclusive workplace, with the Group-wide diversity and inclusion ('D&I') strategy alongside the D&I Policy firmly embedded in the business. During the year, the Board considered diversity of talent and agreed to adopt the FTSE Women Leaders Review targets and reviewed and supported work being undertaken throughout the organisation to create a more inclusive workplace.

Having undertaken an externally facilitated Board evaluation in 2021, for 2022 it was appropriate to undertake the evaluation internally. The changes in Board composition during the year undoubtedly impacted on the survey results, which were discussed at the January 2023 Board meeting and for which we have a clear action plan for development, as outlined further on page 69.

The Board considers that strong and appropriate governance leads to better decision making that reflects the interests of the Group's stakeholders. To that end, during the year the Board initiated a review of its governance processes and how decisions are taken. This is discussed on page 76. The governance review was well received by the Board and gives me confidence that we will build on the lessons identified.

Employee engagement continues to be an important part of the Board's work. An example of engagement in action was when the members of the Technical and Reserves Committee visited the office in Aberdeen to review operations and took the opportunity to meet with technical staff, have dinner with a group of mainly new employees, and host a breakfast with high-potential employees. More about our other employment engagement activities can be found on page 70.

I am delighted to have joined the Board of EnQuest and look forward to working with my colleagues and the Company to achieve our strategic objectives over the coming years and firmly cementing EnQuest's position as an energy transition company.

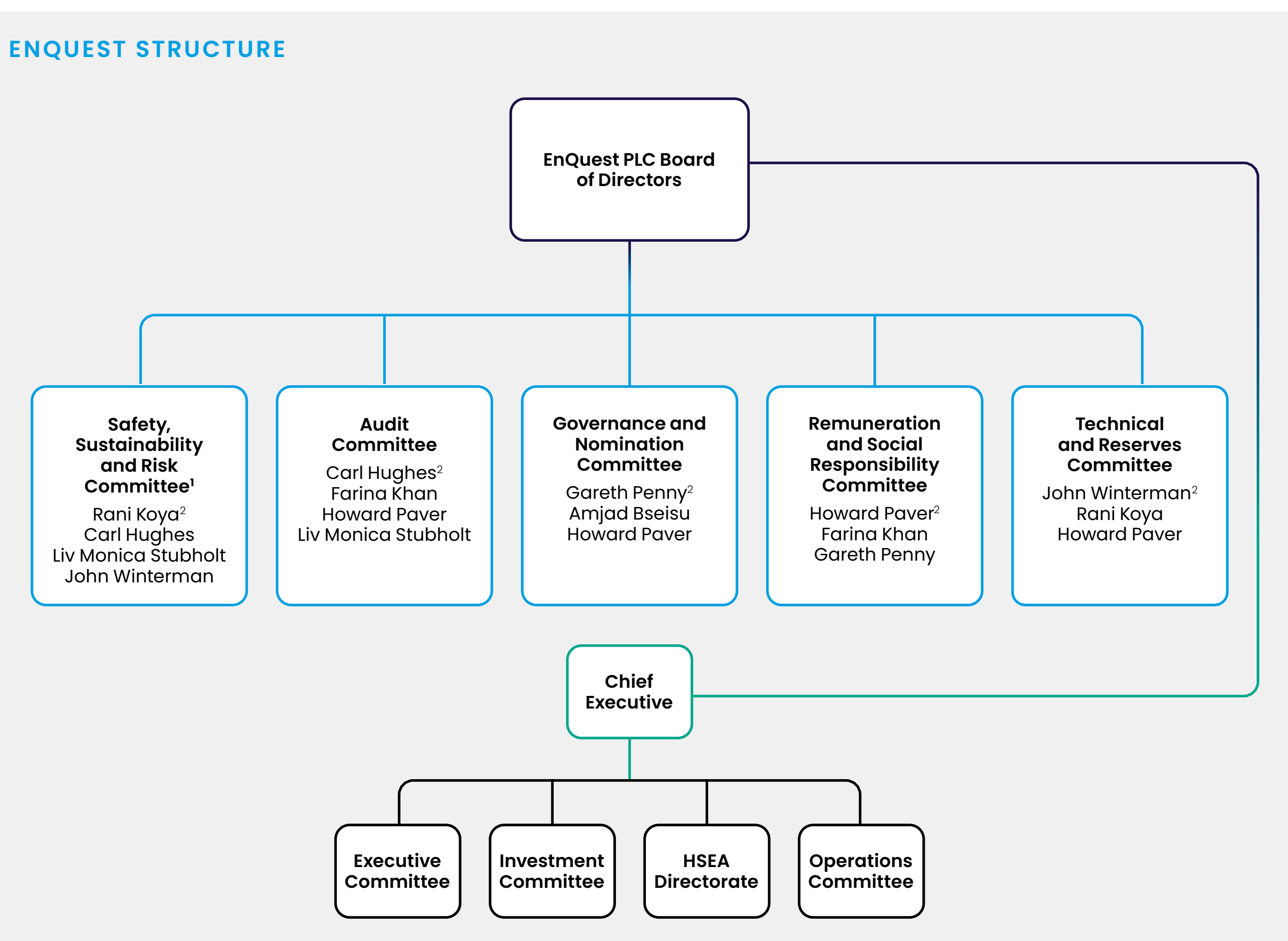
Gareth Penny
Chairman
4 April 2023

Key corporate governance activities during the year

Activity	Purpose	Result
Succession planning and Board composition	Creating a well-balanced Board, continuous refreshing of talent, and development of internal talent	• Appointment of Gareth Penny as Chairman of EnQuest PLC and as Chair of the Governance and Nomination Committee • Appointment of Salman Malik to the Board as CFO and Executive Director • Appointment of Rani Koya to the Board as a Non-Executive Director and as Chair of the Safety, Sustainability and Risk Committee and a member of the Technical and Reserves Committee
Refinancing activity	Strengthening the balance sheet, ensuring appropriate funding for future activities	• Successful refinancing of the Group's debt instruments with an improved mix of debt and extended maturities
Governance review	Challenging our way of working to ensure greater transparency and adherence to best practice	• Review of the way in which decisions are taken, with learnings to be implemented during the year
Strategy enhancement	More clearly defining the role EnQuest will play in the energy transition	• The Group's strategy was enhanced to include a focus on repurposing assets for potential new energy and/or decarbonisation opportunities prior to entering their decommissioning phase

Further details of the Board's activities and how they support compliance with the Code are shown in the table on page 74

ENQUEST STRUCTURE



1 During the year, the Safety, Climate and Risk Committee changed its name to the Safety, Sustainability and Risk Committee
2 Committee Chair

Corporate governance statement

Statement of compliance

The Board believes that the manner in which it conducts its business is important and it is committed to delivering the highest standards of corporate governance for the benefit of all of its stakeholders. The Directors are cognisant of their duties to stakeholders under Section 172 of the Companies Act 2006 and considerations related to stakeholders are reflected throughout this Annual Report and Accounts ('2022 ARA'). The Section 172 Statement can be found on page 62. The Company applies the principles and complies with the provisions of the Financial Reporting Council's UK Corporate Governance Code 2018 (the 'Code') which was effective for accounting periods beginning on or after 1 January 2019, except in respect of Provision 33 of the Code, details of which may be found on page 73. The Code can be found on the Financial Reporting Council's website at www.frc.org.uk. Detailed below is EnQuest's application of, and compliance with, the Code. In order to avoid duplication, cross-references to appropriate sections within the 2022 ARA are provided.

The manner in which the Company has applied the principles of the Code can be found in the following sections:

Board leadership and company purpose	• Corporate governance statement (page 70) • Strategic report (page 04)
Division of responsibilities	• Corporate governance statement (page 72)
Composition, succession and evaluation	• Governance and Nomination Committee report (page 75)
Audit, risk and internal control	• Strategic report (page 40) • Audit Committee report (page 78) • Safety, Sustainability and Risk Committee report (page 103)
Remuneration	• Directors' Remuneration Report (page 85)

Board leadership and company purpose

The Board takes seriously its roles in promoting the long-term success of the Company, generating value for shareholders, having regard to the interests of other stakeholders and contributing to wider society. How the Company manages these areas can be found in the Strategic report, in particular on pages 04 to 05.

The Board is responsible for:
- The Group's overall purpose and strategy;
- Health, safety and environmental performance;
- Review of business plans and trading performance;
- Approval of major capital investment projects;
- Acquisition and divestment opportunities;
- Review of significant financial and operational issues;
- Review and approval of the Group's financial statements;
- Oversight of control and risk management systems;
- Succession planning and appointments; and
- Oversight of employee culture.

Culture

The Board ensures that the culture of the Group is aligned with its purpose, Values and strategy. EnQuest's Values embody the ethos of the Group, and the Board carefully monitors and promotes a positive culture. The Board believes that engaged and committed employees are integral to the delivery of the Group's business plan and, to assist this, an employee survey is held on a regular basis. The survey is used by the Board as a baseline from which to enhance and improve the culture of the Group. In addition, the Global Employee Forum (the 'Forum') met three times over the year. The Board received updates following each forum meeting from the designated Directors for employee engagement.

During the year, the Board reviewed the purpose of the Forum and determined that its purpose had changed and its primary function was now for the raising of non-strategic issues. As such, the Board agreed that it should continue under the direction of the Director of People, Culture and Diversity. The designated Directors for employee engagement now undertake a wider programme of formal and informal engagement with employees in line with the requirements of the Code to understand the views of the workforce.

EnQuest's Code of Conduct underpins the governance and ethos of the Group. All personnel are required to be familiar with the Code of Conduct, which sets out the behaviours that the organisation expects of those who work at and with the Group. The Group's Values complement the behaviours contained within the Code and are a key part of the Group's identity. They guide the workforce as they pursue EnQuest's strategy and delivery of SAFE Results.

Workforce concerns

Through the Forum, regular briefings, which include an opportunity for the workforce to ask questions to management, the promotion of its Code of Conduct and Values and various communication media, the Group seeks to set positive, appropriate standards of conduct for its people within an open, dynamic and inclusive culture. The Group encourages all employees to escalate any concerns and, as part of its whistleblowing procedure, provides an external 'speak-up' reporting line which is available to all employees, allowing for anonymous reporting through an independent third party. Where concerns are raised, these are investigated and reported to the Chairman of the Audit Committee, with follow-up action taken as soon as practicable thereafter.

Stakeholder engagement

EnQuest continued to have an active and constructive dialogue with its shareholders throughout the year to understand their views on governance and performance against strategy. With the gradual lifting of COVID-19 related restrictions, there was a return to face-to-face meetings and engagement activities, although the Company's stakeholders also continued to conduct virtual meetings for speed and efficiency.

The Company's engagement activities were conducted through a planned programme of investor relations activities, including meetings with:

- Credit and equity investors and research analysts with regard to the Group's refinancing of its secured and unsecured debt facilities, performance against guidance and overall debt management strategy;
- A selection of the Group's larger shareholders in relation to the search for a new Board Chair; and
- Retail investors at the Company's AGM.

The Group also delivered presentations alongside its half-year and full-year results, copies of which are available on the dedicated section of the Group's website, which can be found under 'Investors' at www.enquest.com, as well as ad hoc presentations at investor conferences. The Group's results meetings are followed by investor roadshows with existing and potential new investors. These meetings, which take place throughout the year, other than during closed periods, are organised directly by the Company, via brokers and in response to direct investor requests.

EnQuest's Investor Relations team and Company Secretarial department respond to queries from shareholders, debt holders, analysts and other stakeholders, all of whom can register on the website to receive email alerts of relevant Group news. EnQuest's registrars, Link Group in the UK and Euroclear in Sweden, also have teams available to answer shareholder queries in relation to technical and administrative aspects of their holdings. The Board is routinely kept informed of investor feedback, broker and analyst views and industry news in a paper submitted at each Board meeting by the Group's Investor Relations team and as required on an ad hoc basis.

The Board is also kept informed of relevant developments relating to other stakeholder groups such as suppliers, regulators, partners and governments, as required by the Executive Directors and/or the appropriate functional management and considers potential impacts on these groups of principal decisions made during the course of the year (see pages 64 to 66 for more details).

Board agenda and key activities throughout 2022

During 2022, the Board resumed face-to-face meetings following the lifting of restrictions imposed during the COVID-19 pandemic. However, the Board also took advantage of the speed and efficiency of virtual meetings where appropriate to ensure that business was conducted in a time-effective and environmentally sensitive manner. Regular Board agenda items and key activities are shown on page 72.

Directors' attendance at Board meetings in 2022

	Meetings attended
Scheduled meetings 2022	
Executive Directors	
Amjad Bseisu	6/6
Jonathan Swinney[1]	3/3
Salman Malik[2]	3/3
Non-Executive Directors	
Martin Houston[3]	5/5
Gareth Penny[4]	1/1
Farina Khan	6/6
Howard Paver	6/6
Philip Holland[5]	3/3
Carl Hughes	6/6
Rani Koya[6]	6/6
Liv Monica Stubholt	6/6
John Winterman	6/6

1 Jonathan Swinney stood down as Chief Financial Officer and Executive Director on 15 August 2022
2 Salman Malik was appointed as Chief Financial Officer and Executive Director on 15 August 2022
3 Martin Houston stood down as Chairman and Non-Executive Director on 6 December 2022
4 Gareth Penny was appointed as Chairman and Non-Executive Director on 6 December 2022
5 Philip Holland stood down as Non-Executive Director on 17 June 2022
6 Rani Koya was appointed as Non-Executive Director on 1 January 2022

The table below sets out matters that the Board discuss at each meeting and the key activities that have taken place throughout this period.

Key activities for the Board throughout 2022

Strategy	Operations	Governance	Stakeholders
• Key projects, their status and progress made • Strategy • Key transactions • Financial reports and statements • Liquidity	• HSEA • Production • Operational issues and highlights • HR issues and developments • Key legal updates	• Succession planning • Assurance and risk management	• Investor relations and capital market updates • Employee engagement • Government and regulator engagement

Conflicts of interest and compliance

The Group has procedures in place which identify and, where appropriate, manage conflicts or potential conflicts of interest with the Group's interests. In accordance with the provisions relating to Directors' interests in the Companies Act 2006, all Directors are required to submit details to the Company Secretary of any situations which may give rise to a conflict or potential conflict. The Board is satisfied that formal procedures are in place to ensure that authorisation for potential and actual conflicts of interest are operated efficiently. Directors are required to obtain Board approval before accepting any further external appointments and demands on a Director's time are taken into account before approval is given.

The Group is committed to behaving fairly and ethically in all of its endeavours and has policies which cover anti-bribery, anti-corruption and tax evasion. The anti-bribery and corruption programme is reviewed annually by the Board and a compulsory online anti-corruption training course is required to be completed by all staff. Additional information can be found on page 52 and in the Code of Conduct which is available on the Group's website.

Board education

All Directors receive an induction pack and meet with management on joining the Company. They are also offered Director training and memberships of organisations which deliver knowledge and training to Non-Executive Directors. Education is provided from time to time by the Company Secretary or external advisers; for example, a session was held with external counsel to discuss the Board's specific responsibilities in relation to the refinancing, anti-corruption and bribery, responsibilities under the Market Abuse Regulations and on corporate governance matters pertinent to the discharge of Non-Executive Directors' duties.

2022 Annual Report and Accounts

The Directors are responsible for preparing the 2022 ARA and consider that, taken as a whole, the 2022 ARA is fair, balanced and understandable, and provides the necessary information for shareholders to assess the Company and Group's position and performance, business model and strategy.

Annual General Meeting ('AGM')

The Company's AGM is ordinarily attended by the Directors and executive and senior management and is open to all EnQuest shareholders to attend.

Division of responsibilities

There is a clear division of responsibilities between the leadership of the Board and the executive leadership of EnQuest. The roles of the Chairman and Chief Executive are not exercised by the same individual.

Chairman

The Chairman is responsible for the leadership of the Board, setting the Board agenda and ensuring the overall effective working of the Board. The Chairman holds regular one-to-one and group meetings with the Non-Executive Directors without the Executive Directors present.

Chief Executive

The Chief Executive is accountable and reports to the Board. His role is to develop strategy in consultation with the Board, to execute that strategy following presentation to, and consideration and approval by, the Board and to oversee the operational management of the business.

Senior Independent Director

The Senior Independent Director ('SID') is available to shareholders if they have concerns where contact through the normal channels of the Chairman or the Executive Directors has failed to resolve an issue, or where such contact is inappropriate. The SID acts as a sounding board for the Chairman and also conducts the Chairman's evaluation on an annual basis. During the year, the SID led the process for recruiting a new Chairman following the resignation of Martin Houston in June.

Non-Executive Directors

The Non-Executive Directors combine broad business and commercial experience from oil and gas and other industry sectors. They bring independence, external skills and objective judgement, and constructively challenge the actions of executive and senior management. This is critical for providing assurance that the Executive Directors are exercising good judgement in delivery of strategy, risk management and decision making. They receive a monthly report on Group performance and updates on major projects, irrespective of a meeting taking place, which allows them to monitor

performance regularly. In addition, they hold to account the performance of management and individual Directors against agreed objectives and assess and monitor the culture of the Company. All Directors of EnQuest have been determined to have sufficient time to meet their responsibilities and this is monitored on a regular basis. At the date of this report there are nine Directors, consisting of two Executive Directors and seven independent Non-Executive Directors (including the Chairman).

During the year, the Non-Executive Directors spent significant additional time on Company business and, having taken advice from the Company's remuneration advisers, the Board agreed to award the Non-Executive Directors an additional fee as permitted under the Remuneration Policy. Following this decision, the Board initiated a review of its approval processes. The review concluded that the Board's decision making was consistent with law and the Company's Articles of Association (the 'Articles'). However, the process for approving the additional fees for Non-Executive Directors differed from the specific process set out in the Remuneration and Social Responsibility Committee's terms of reference in that the full Board, rather than the Chairman and Executive Directors, approved the additional fee to the Non-Executive Directors. Further, it noted that that while the process to increase the Chairman's fees was consistent with the Company's Articles, it did not comply with Provision 33 of the Code in that the Board, rather than the Remuneration and Social Responsibility Committee, approved the additional fee to the Chairman.

Company Secretary
The Company Secretary is responsible for advising the Board, through the Chairman, on all Board procedures and governance matters. In addition, each Director has access to the advice and services of the Company Secretary. The Company Secretary assists with the ongoing training and development of the Board and is instrumental in facilitating the induction of new Directors. The appointment and removal of the Company Secretary is a Board matter. The Company Secretary supports the Chairman in the provision of accurate and timely information. Board agendas are drawn up by the Company Secretary in conjunction with the Chairman and with agreement from the Chief Executive. All Board papers are published via an online Board portal system which offers a fast, secure and reliable method of distribution.

Independence
The Chairman was independent on appointment and the Board considers that all the Non-Executive Directors continue to remain independent and free from any relationship that could affect, or appear to affect, their independent judgement. Information on the skills and experience of the Non-Executive Directors can be found in the Board biographies on pages 66 and 67.

Committees
The Board has five Committees which meet on a regular basis and report back to the Directors at each Board meeting. This allows for the Board to be apprised of important Committee business and, if necessary, to discuss issues should they need to be escalated to Board level. There are formal terms of reference for each Committee which set out the scope of authority of the Committee, satisfy the requirements of the Code and are reviewed and approved on an ongoing basis by the Board. Copies of the terms of reference are available on the Group's website, www.enquest.com. Membership and attendance of each Committee can be found on the dedicated Committee pages, details of which are found below:

Audit Committee
The Audit Committee responsibilities include reviewing the effectiveness of the Group's internal controls and risk management systems. The Committee is also in charge of approving statements to be included in the Annual Report concerning risk management as well as monitoring and reviewing the effectiveness of the Group's internal audit capability in the context of the Group's overall risk management system. The work of the Audit Committee is on pages 78 to 84.

Remuneration and Social Responsibility Committee
The Remuneration and Social Responsibility Committee is responsible for assessing the Group's performance and for determining appropriate performance-related compensation. It reviews and takes note of institutional shareholder guidelines. During 2023, the Committee will be reviewing the existing shareholder-approved Remuneration Policy ahead of issuing the Remuneration Policy for shareholder vote in 2024. The Committee also reviews the Group's social responsibility programme, both external (how the Group engages in its communities) and internal (employee engagement and a positive workforce culture). The work of the Remuneration and Social Responsibility Committee is set out on pages 85 to 102.

Safety, Sustainability and Risk Committee
The Safety, Sustainability and Risk Committee continues to progress its comprehensive Risk Management Framework and has conducted a robust assessment of the principal risks facing the Group, which are outlined on pages 40 to 51 of the Strategic report. The work of the Committee, which includes monitoring HSEA issues and oversight of decarbonisation matters, is on pages 103 to 104.

Technical and Reserves Committee
The Technical and Reserves Committee provides the Board with additional technical insight when making Board decisions. The work of the Committee can be found on 105.

Governance and Nomination Committee
The Governance and Nomination Committee leads the process for appointments and regularly reviews the structure, size and composition of the Board. It also considers succession planning for the Executive Committee and has expanded its remit to cover all aspects of the Code. The work of the Governance and Nomination Committee, including information regarding the Board's diversity and the Company's associated policy, recruitment and the Board annual evaluation process, is on page 76.

Board discussions and outcomes

Code requirements	Key Board discussions	Outcome
• Ensuring an effective and entrepreneurial Board to promote long-term sustainable success	• Macroeconomic environment • Growth opportunities, including new energy and decarbonisation developments at the Sullom Voe Terminal and potential acquisitions • Board evaluation results • Training	• Clear understanding of European energy security issues and the impact of the Russia/Ukraine crisis • The Board discusses growth opportunities at every Board meeting, including at the opportunity costs of pursuing ventures • Corporate governance training, anti-corruption and bribery training and training on Directors' responsibilities
• Establishing and aligning purpose, Values and strategy with culture	• Culture, Values and ESG are included in Company Performance Indicators • Board discussed impact of COVID-19 on working arrangements	• Discussed the need to keep diversity training refreshed and relevant • The Board agreed flexible initiatives for returning to work, reflecting local requirements and culture
• Ensuring necessary resourcing is in place and establishing a framework of controls to enable risk to be assessed	• Rigorous assessment of the Group's liquidity requirements • Reviewed Risk Management Framework • Reviewed principal risks and uncertainties and emerging risks	• Successful refinancing of the Group's debt facilities • Regular in-depth reviews of risks and their mitigants through its Committees
• Effective engagement with shareholders and stakeholders	• UK and Malaysia regulatory environment • Refinancing the Group's debt facilities	• Discussion and alignment on compliance with regulatory requirements • Engagement on impact of UK Energy Profits Levy • Debt investor engagement
• Ensuring workforce policies and practices are consistent with the Company's Values	• Diversity and inclusion	• The Board adopted aspirational diversity targets and approved the approach to enhancing inclusion
• Appointments are subject to formal rigorous and transparent procedure with effective succession plan for Board and senior management	• Use of external consultants for chair appointment • Appointment of CFO as part of internal succession planning	• Detailed discussions on succession planning and review of roles and accountabilities of Executive Committee • Approved use of external agent to benchmark senior employees' readiness for succession

Governance and Nomination Committee membership

The Governance and Nomination Committee comprises the Chairman of the Company, the SID and the Chief Executive. Both the Chairman and SID are deemed independent.

Appointment dates and attendance at the five scheduled meetings are set out below:

Member	Date appointed Committee member	Attendance at meetings during the year
Martin Houston[1]	1 October 2019	5/5
Amjad Bseisu	22 February 2010	5/5
Howard Paver	15 October 2019	5/5
Gareth Penny[2]	6 December 2022	0/0

Notes:
1 Martin Houston stepped down from the Board as Chairman and Non-Executive Director on 6 December 2022
2 Gareth Penny joined the Board and the Governance and Nomination Committee on 6 December 2022

Main responsibilities

The core work of the Governance and Nomination Committee is to ensure that the Board and its Committees support the strategy of the Group. Currently, the Board consists of seven Non-Executive Directors and two Executive Directors, who collectively bring a diverse mix of skills and experience to the Company, collaborating with each other to provide strong leadership.

The main responsibilities of the Committee are to:

- Review the size, structure and composition (including the skills, experience, independence, knowledge and diversity) of the Board and its Committees;
- Ensure the orderly succession of Executive Directors, Non-Executive Directors and executive and senior management;
- Identify, evaluate and recommend candidates for appointment or reappointment as Directors or Company Secretary, taking into account diversity, including gender, social and ethnic backgrounds, cognitive and personal strengths and the balance of knowledge, skills and experience required to serve on the Board;
- Review the outside directorships/commitments of Non-Executive Directors; and
- Exercise oversight of the compliance of the Company with the Corporate Governance Code (the 'Code').

The Committee's full terms of reference can be found on the Group's website, www.enquest.com, under Corporate Governance.

Committee activities during the year

The Governance and Nomination Committee met five times in 2022. Its key activities included:

Appointment of Non-Executive Chairman

The Committee launched a Board search process in the summer of 2022 to recruit a Non-Executive Director to take on the role of Chair. A sub-Committee, comprising Howard Paver, as SID, and Liv Monica Stubholt, was formed to manage the recruitment process. The Company appointed Spencer Stuart & Associates ('Spencer Stuart') to support the sub-Committee to ensure that a wide range of candidates were considered.

Spencer Stuart met with each continuing Director to understand fully the Company's requirements, including diversity profiles, and the cultural fit necessary to succeed in the role. It presented a long list of clients for the sub-Committee to consider before interviewing candidates.

Throughout the selection process, the sub-Committee actively considered Board diversity in all its forms as part of its thorough review of each candidate, including the balance of skills, knowledge and level of independence each would bring to the Board. In addition, it considered any potential conflicts of interest that would arise from the appointment and gave careful consideration to other existing commitments the candidates had and whether they would be able to devote the appropriate amount of time in order to meet fully what was expected of them. The sub-Committee recommended the appointment of Gareth Penny to the Board, which unanimously approved his appointment.

Review of tenure of Non-Executive Directors

The Committee discussed the optimum length of service of Non-Executive Directors, noting that the average tenure across FTSE 150 companies was under five years and that the Code states that service beyond nine years could impair independence. As no independent Director was approaching nine years' service it was agreed that a formal policy on tenure was not, at this point, needed.

Committee composition

The composition of the Safety, Sustainability and Risk Committee ('SSRC') was discussed by the Committee. During the year, the Committee noted that Philip Holland would step down from the chairmanship of the SSRC when he left the Board following the Group's Annual General Meeting ('AGM') and that, for reason of capacity, Farina Khan also wanted to step down from the SSRC. The Committee initially considered that Liv Monica Stubholt would be an appropriate replacement for Philip but, following discussions with Liv Monica, agreed that she would be overcommitted and that it would be more appropriate for Rani Koya to Chair the SSRC. Accordingly, the Committee recommended to the Board that Rani take on the role following Philip Holland's departure.

Global Employee Forum composition
The Committee considered the composition and purpose of the Global Employee Forum during the year. At the start of 2022, the designated Directors for employee engagement were Philip Holland and Farina Khan, and both attended the Global Employee Forum in that capacity. With Philip Holland stepping down from the Board, and Farina Khan wishing to step down as designated Director for employee engagement for reasons of capacity, the Committee recommended to the Board that Rani Koya and Howard Paver become the designated Directors for employee engagement. As noted on page 107, the focus of the Forum changed during the year and the designated Directors no longer participate in all its meetings. Instead, the designated Directors have instigated a programme of formal and informal events with employees to enable the Board to get a clear understanding of the views of employees.

Appointment of Executive Director
Jonathan Swinney notified the Board of his intention to step down from the Board as Chief Financial Officer ('CFO') and Executive Director in March, and it was agreed that Salman Malik, who had long been identified as an internal candidate to be a potential CFO successor, would succeed Jonathan. Salman had been a member of EnQuest's Executive Committee for several years and has a wealth of industry and financial experience, alongside developing the Group's Infrastructure and New Energy business. Given the Group's ongoing attention on deleveraging, refinancing, creative M&A and repurposing existing infrastructure to deliver EnQuest's decarbonisation ambitions, the Board is confident he has the necessary skills, experience and vision for the role.

Appointment of Company Secretary
The Committee oversaw an external search for a new Company Secretary to succeed Stefan Ricketts who notified his intention to resign from the Company. The Committee considered diversity in all its forms and met with a range of candidates to assess their skills, knowledge and experience before deciding to recommend the appointment of Chris Sawyer. Chris joined EnQuest from bp where he was assistant general counsel, oil regions and production and operations and a member of senior leadership teams responsible for upstream and low carbon energy.

Structured Board succession planning
Succession planning is an important part of both the Committee and the Board's deliberations. This includes for both senior management and the wider organisation, with regard to individuals who are considered as having high potential. This ensures that the Board has oversight of the Group's talent pipeline and future leaders and can progress and support development within the organisation.

In considering the composition of the Board which will best serve the strategy, Values and Company purpose into the future, the Board has adopted diversity targets. Its membership represents a spread of backgrounds and experiences which cover the oil and gas and other industries, including those supporting the energy transition. See pages 66 to 67 for Board biographies.

The Board and the Governance and Nomination Committee remain satisfied that the individuals currently fulfilling key executive and senior management positions in the Group have the requisite depth and breadth of skills, knowledge and experience, to ensure that orderly succession to the Board and Executive Committee can take place. The Group continues to work to identify capability strengths and development gaps and to develop the process for encouraging and supporting high-potential employees.

Annual evaluation
Having carried out an external Board evaluation in 2021, supported by Grant Thornton, it was felt appropriate to undertake an internal Board evaluation in 2022. This evaluation was carried out with support from BoardClic and used the same online tool as in previous internal evaluations. The online survey was then supported by individual calls between the Directors and the Chairman.

The results from the evaluation, which were discussed in detail at the February 2023 Board meeting, reflect the changes that occurred on the Board during the year and provide a clear guide to the priorities in 2023.

The Board agreed that the key themes for development were:
- Ensuring that the Board has a good process for setting strategy;
- Ensuring that the Board gets good-quality information, both before and between meetings;
- Further improvement in governance processes and structures to assist the Board and its Committees in supporting the Executive Directors and management to deliver on the strategy of the Group; and
- Developing and clarifying the succession planning process.

As the Chairman was only appointed immediately before the evaluation, no separate assessment of the Chairman's performance was carried out. The SID will lead a review of the Chairman's performance during 2023.

The key areas from the 2021 external evaluation were kept under review during the year. These included Board dynamics, which have evolved as the composition of the Board has changed. The strategy has continued to be refined, with an increased focus on repurposing existing assets and infrastructure in support of the Group's decarbonisation ambitions. An increased amount of attention was given to the oversight of organisational culture, including appropriate training for managers and supervisors in creating inclusive cultures alongside assessing the impact of returning to the workplace for office-based staff based in the UK, Dubai and Malaysia.

Re-election to the Board

Following a review of the effectiveness of the Board, the Governance and Nomination Committee confirms that it is satisfied with both the performance and the time commitment of each Director throughout the year. The Committee also remains confident that each of them is in a position to discharge their duties to the Company in the coming year and that together they continue to bring the necessary skills required to the Board. Board approval is required should a Director wish to accept a further external role. Detailed biographies for each Director, including their skills and external appointments, can be found on pages 66 to 67.

Priorities for the coming year

The main focus of the Committee in 2023 will be in supporting the Board to align our culture and succession plans with the delivery of our strategy.

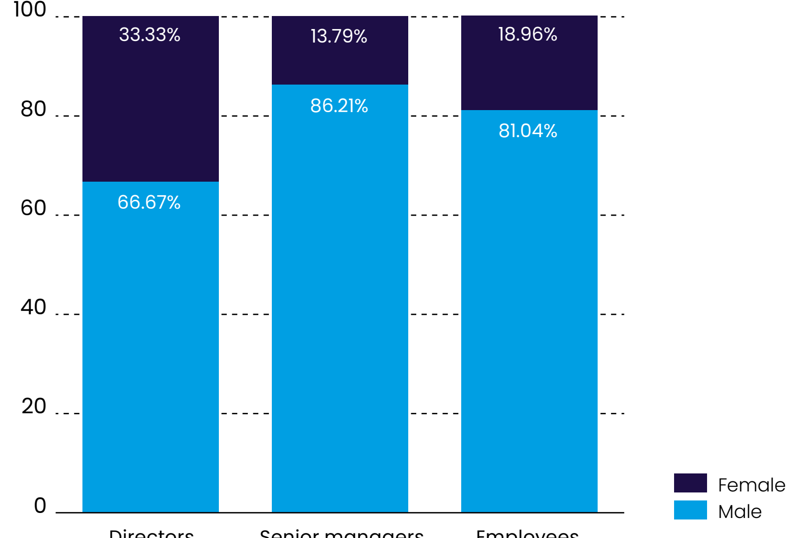
Boardroom diversity

The Group's Diversity and Inclusion Policy can be found on the Group's website at www.enquest.com/environmental-social-and-governance/social/people.

The Company has adopted the FTSE Women Leaders Review diversity targets of 40% female representation on the Board and at least one female Director holding the position of Chair, Senior Independent Director, CEO or CFO by 2026. As at 4 April 2023, none of these roles are held by females. The Board has also agreed diversity targets for leadership roles (including the Executive Committee, Aberdeen Leadership Team and Malaysia Leadership Team) by 2025 of: 30% of management roles to be occupied by women and 15–20% of executive management roles to be occupied by ethnic minorities. Data relating to gender and ethnicity is collected by the Group's Human Resources department, where disclosed by the individual.

In addition, the EnQuest Diversity and Inclusion Policy aligns with the Company's Values, which incorporate both respect and openness. The Group seeks diversity in its employee base, recognising that those from different backgrounds, experience and abilities can bring fresh ideas, perspectives and innovation to improve the business and working practices. Activities within the Group to encourage awareness of diversity considerations include a staff-wide diversity survey and education of the workforce.

The chart below illustrates gender breakdown of EnQuest's Directors and workforce as at 31 December 2022[1].



Note:
1 Breakdown of percentages: Directors (3 female, 6 male); Senior managers (8 female, 50 male); Employees (135 female, 577 male). Senior management and total employee figures include EnQuest's employees in Dubai, Malaysia and the UK

Audit Committee report

"The Committee has continued to focus on the Group's disclosures as well as challenge the Group's financial reporting processes and system of internal controls while monitoring the Risk Management Framework and work of key functions."

Carl Hughes
Chairman of the Audit Committee

Dear fellow shareholder

I am pleased to present the Audit Committee report for the year ended 31 December 2022, covering our activities over the course of the year.

The Audit Committee oversees and monitors the Group's financial reporting (including reporting on the financial aspects related to climate change), external and internal audit, the effectiveness of the Risk Management Framework ('RMF') and system of internal controls.

More information on the role and responsibilities of the Committee and its terms of reference, which are reviewed annually, can be found at www.enquest.com/investors/corporate-governance.

In addition to the standing agenda items for the year, the Committee also considered a variety of other focus areas including: monitoring the CFO transition, refinancing of the Group's debt, climate change disclosure recommendations, challenging management on control improvements, reviewing the impact of the UK Energy Profits Levy ('EPL') on EnQuest's business model and the wider competitive landscape, monitoring IT control improvement progress and reviewing cyber-security measures and the Group's IT resourcing model. It was pleasing to see a smooth CFO transition and the Group successfully refinance its debt, materially extending its maturities in what was a challenging market environment. The Committee was also pleased to see that in July 2022, in its Thematic Review: Judgements and Estimates Update, the Financial Reporting Council ('FRC') highlighted EnQuest's 2021 Annual Report and Accounts as an example of good practice with regard to disclosure of deferred tax sensitivities.

During the year, the Committee agreed to update its terms of reference to highlight its responsibilities more explicitly with regard to the IT control environment, with the first IT controls review held at the December Committee meeting. A significant amount of time, including an additional Committee meeting, was also spent reviewing the finance function's resourcing requirements and progress against improvements identified in conjunction with the Group's external auditor. A number of process and IT control improvements have been implemented in the lead-up to and during the 2022 year-end process, including developing granular timetables for significant processes, building flexibility into existing Excel finance models and incorporating peer reviews. In addition, the finance team has successfully implemented its succession plans and is building additional capacity into the team with the recruitment of new team members.

During the year, the FRC conducted a formal Audit Quality Review of the Deloitte audit of EnQuest's 2021 Annual Report and Accounts, the results of which were received in January 2023 with only limited improvements required. To ensure that Deloitte can incorporate the necessary actions into future audit plans, the Committee will work closely with Deloitte and management.

In June 2022, subsequent to the publication of the EnQuest Annual Report and Accounts 2021, EnQuest received a letter from the Board for Swedish Financial Reporting Supervision informing EnQuest that it had initiated an investigation into a potential breach under the provisions of the Securities Market Act regarding filing of financial information following the UK's exit from the European Union. The Committee was provided with updates of the investigation's progress at each subsequent meeting. In March 2023, EnQuest was informed that after consideration of EnQuest's responses the investigation had been closed. As part of this process, the Group reviewed its disclosure practices and has implemented the necessary updates to ensure ongoing compliance.

The Committee is pleased to confirm that the actions of the Committee were, and continue to be, in compliance with the Code and that it is satisfied with the formal and transparent policies and procedures in place. Furthermore, the Committee ensured that key judgements and estimates made in the financial statements, such as the recoverable value of the Group's assets, were carefully assessed.

Carl Hughes
Chairman of the Audit Committee
4 April 2023

Committee composition

As required by the Code published in July 2018, the Committee exclusively comprises Non-Executive Directors, biographies of whom are set out on pages 66 and 67. The Board is satisfied that the Chairman of the Committee, Carl Hughes, previously an energy and resources audit partner of Deloitte, and a Fellow of the Institute of Chartered Accountants in England and Wales, meets the requirement for recent and relevant financial experience.

Membership of the Committee, appointment dates and attendance at the five meetings (including one unscheduled) held during 2022 is provided in the table below:

Member	Date appointed Committee member	Attendance at meetings during the year
Carl Hughes	1 January 2017	5/5
Howard Paver	1 May 2019	5/5
Farina Khan	1 November 2020	5/5
Liv Monica Stubholt[1]	15 February 2021	2/5

1 Liv Monica Stubholt was unable to attend certain meetings due to unforseen travel disruption

Meetings are also normally attended by the General Counsel and Company Secretary, the Chief Financial Officer, the external auditor, the internal auditors and other key finance team members as required. The Chief Executive and the Chairman of the Board also attend the meetings when invited to do so by the Committee. PricewaterhouseCoopers LLP ('PwC'), in its role as internal auditor for certain specialist areas, such as cyber-security, attended meetings during 2022, as appropriate. The Chairman of the Committee regularly meets with the external audit partner (with such meetings including the independent review of the going concern and viability assessments) and internal audit (which for 2022 comprised both the internal audit manager and the PwC partner) to discuss matters relevant to the Company.

The Committee continues to monitor its own effectiveness and that of the functions it supports on a regular basis. Through the review of the terms of reference of the Committee, regular meetings with the internal and external auditors and key management personnel, the Committee has concluded that its core duties in relation to financial reporting, internal controls and risk management systems, whistleblowing and fraud, internal audit, external audit and reporting responsibilities are being performed well.

Fair, balanced and understandable

A key requirement of the Group's Annual Report and Accounts is for the report to be fair, balanced and understandable. In addition, the Annual Report should contain sufficient information to enable the position, performance, strategy and business model of the Company to be clearly understood and details of measurable key performance indicators and explanations of how the Company has engaged with all of its stakeholders (as set out in the Group's Section 172 Statement on page 62). The Committee and the Board are satisfied that the Annual Report and Accounts meet these requirements, with appropriate weight being given to both positive and negative developments in the year.

With regard to these requirements, the Committee has considered the robust process which operates when compiling the Annual Report and Accounts, including:

- Clear guidance and instructions are provided to all contributors;
- Revisions to regulatory requirements, including the Code, are communicated and monitored;
- A thorough process of review, evaluation and verification of the content of the Annual Report and Accounts is undertaken to ensure accuracy and consistency;
- External advisers, including the external auditors, provide advice to management and the Audit Committee on best practice with regard to the creation of the Annual Report and Accounts; and
- A meeting of the Committee was held in March 2023 to review and approve the draft 2022 Annual Report and Accounts in advance of the final sign-off by the Board.

Audit Committee meetings

There were five Committee meetings in 2022. A summary of the main items discussed in each meeting is set out in the table below:

Agenda item	March 2022	May 2022	August 2022	November 2022	December 2022
Audit Committee self-evaluation assessment of its effectiveness including review of actions identified in previous effectiveness review		✓			
Audit Committee terms of reference		✓			
Significant matters arising from completed internal audits	✓	✓	✓		✓
Internal audit progress against 2022 plan, including findings since last meeting	✓	✓	✓		✓
Independence and objectivity of internal audit		✓			
Internal audit and assurance plan for 2023					✓
Joint venture audit plan for 2022, including summary findings since last meeting	✓	✓	✓		✓
Cyber-security update	✓	✓	✓		
Annual external audit plan					✓
External (Deloitte) audit fees subject to the audit plan		✓			✓
Level of non-audit service fees for Deloitte	✓				
Quality, independence and objectivity of Deloitte	✓	✓	✓		
Effectiveness of Deloitte as external auditors	✓				
Evaluate the viability assessment	✓				
Appropriateness of going concern assumption	✓		✓		
Review of half-year or full-year regulatory press release and results statements	✓		✓		
Briefings on regulatory developments including financial focus areas and climate-related matters					✓
Key risks, judgements and uncertainties, including consideration of climate change, impacting half-year or year-end financial statements (reports from both management and external auditor)	✓		✓		✓
Debt refinancing strategy and associated accounting		✓	✓		
Presentation on reserves audit and evaluation of Competent Person's independence and objectivity	✓				
Finance strategy and organisation update including CFO transition planning		✓	✓	✓	
Tax strategy, policy and compliance					✓
Impact of UK Energy Profits Levy and other tax topics					✓
Management's response to significant audit findings, recommendations and notable control weaknesses, including potential improvements and agreed actions	✓	✓	✓	✓	✓
Review of process and controls relating to development of the Group's internal control framework	✓	✓	✓		✓
IT resourcing and controls progress against IT audit findings	✓	✓	✓		✓

Financial reporting and significant financial statement reporting issues

The primary role of the Committee in relation to financial reporting is to assess, among other things:

- The appropriateness of the accounting policies selected and disclosures made, including whether they comply with International Financial Reporting Standards; and
- Those judgements, estimates and key assumptions that could have a significant impact on the Group's financial performance and position, or on the remuneration of executive and senior management.

These items are considered by the Committee, together with reports from both management and its external auditor, at each Committee meeting. The significant accounting and reporting areas considered, including those related to EnQuest's 2022 consolidated financial statements, are set out below:

Significant financial statement reporting issue	Consideration
Going concern and viability The Group's assessments of the going concern assumption and viability are based on detailed cash flow, covenant and reserve based lending borrowing base forecasts. These are, in turn, underpinned by forecasts and assumptions in respect of: • Production for the next three years, based on the Group's approved 2022 business plan and forecasts; and • The oil price assumption, based on a forward curve of \$78.5/bbl (2023), \$78.5/bbl (2024) and \$75/bbl (2025).	The Committee reviewed and considered the Directors' half-year and full-year statements with respect to the going concern basis of accounting. The Board also regularly reviews the liquidity projections of the Group. The detailed going concern and longer-term viability analysis, including sensitivity analysis and stress testing, along with explanations and justifications for the key assumptions made, were presented at the March 2023 meeting. This analysis was considered and challenged by the Committee, including, but not limited to, the appropriateness of the period covered, planning scenarios, including production volume expectations, and whether macroeconomic assumptions were realistic, stress tests were appropriate and mitigations achievable to ensure that the Group has sufficient headroom to continue as a going concern. Particular focus was applied to the implications of the EPL on the Group's investment plans and future cash flows. The Committee supported the going concern basis of accounting. The disclosures in the Annual Report concerning the viability statement and going concern assumption (see pages 25 to 26) were reviewed and approved at the March 2023 meeting for recommendation to the Board.
Assessment of oil and gas reserves The Group has total proved and probable ('2P') reserves as at 31 December 2022 of c.190 MMboe. The estimation of reserves is essential to: • The valuation of the Company; • The assessment of going concern and viability; • Impairment testing; • Decommissioning liability provisions; and • The calculation of depreciation.	During the March 2023 meeting, management presented the Group's 2P reserves, together with the report from Gaffney, Cline & Associates, the Group's reserves auditor. The Committee considered the scope and adequacy of the work performed by Gaffney, Cline & Associates and their independence and objectivity and concurred that the estimation of reserves had been applied to the financial statements, where appropriate.
Impairment of tangible and intangible assets The recoverability of asset carrying values is a significant area of judgement. These impairment tests are underpinned by assumptions regarding: • 2P reserves; • Oil price assumptions (based on an internal view of forward curve prices of \$84/bbl (2023), \$80/bbl (2024), \$75/bbl (2025) and \$70/bbl real thereafter); • Life of field production profiles and opex, capex and abandonment expenditure; and • A post-tax market discount rate derived using the weighted average cost of capital methodology. For more details, see note 2 Critical accounting judgements and key sources of estimation uncertainty: recoverability of asset carrying values, and notes 10, 11 and 12. Impairment testing has been performed, resulting in a pre-tax non-cash impairment charge of \$81.0 million.	At the March 2023 meeting, management presented the key assumptions made in respect of impairment testing and the result thereof to the Committee. The Committee considered and challenged these assumptions, including the potential impacts of the EPL, climate change and the energy transition, in line with the challenges performed as part of the going concern and viability review. Sensitivity analysis and disclosures estimating the effect of price reductions were reviewed. Consideration was also given to Deloitte's view of the work performed by management.

Significant financial statement reporting issue	Consideration
Contingent consideration Any contingent consideration included in the consideration payable for a business combination or asset acquisition is recorded at fair value at the date of acquisition. These fair values are generally based on risk-adjusted future cash flows discounted using appropriate discount rates. The Group calculates contingent consideration payable in respect of its Magnus and Golden Eagle acquisitions. See note 22 for further details.	At the March 2023 meeting, the key assumptions and result of the fair value calculations, along with explanation of movements in the year, were presented to the Committee. Consideration was also given to Deloitte's view of the work performed by management. The Committee concluded that the assumptions and inputs for contingent consideration payable were reasonable and consistent with other relevant judgements and estimates made and the related liabilities recorded were appropriate.
Climate change in financial reporting While the Group's view of evolving climate risks continues to develop, appropriate disclosure is an area of focus for the Committee. Climate change and the transition to a lower carbon economy may have significant impacts on the currently reported amounts of the Group's assets and liabilities and on similar assets and liabilities that may be recognised in the future. See note 2 Use of judgements, estimates and assumptions: climate change and energy transition.	The Committee considered financial statement disclosures, including TCFD reporting, and how the Group's climate change scenarios are reflected in the Group's key judgements and estimates used in the preparation of the Group's 2022 financial statements. This included a review of management's best estimate of oil price assumptions for fair value less cost of disposal ('FVLCD') impairment testing, including testing the Group's resilience under the International Energy Agency's Announced Pledges Scenario and Net Zero Emissions by 2050 Scenario. The Committee, recognising the evolving nature of climate change risks and responses, concluded that climate change has been appropriately considered by management in key judgements and estimates and concurred with the disclosures proposed by management.
Appropriateness of the decommissioning provision The Group's decommissioning provision of $691.6 million at 31 December 2022 is based upon a discounted estimate of the future costs and timing of decommissioning of the Group's oil and gas assets. Judgement exists in respect of the estimation of the costs involved, the discount rate assumed, and the timing of decommissioning activities. See note 2 Critical accounting judgements and key sources of estimation uncertainty: provisions.	The Committee reviewed the report by management summarising the key findings and their impact on the provision. Sensitivity analysis and disclosure estimating the effect of a change in discount rates was reviewed. Regard was also given to the observations made by Deloitte as to the appropriateness of the estimates made.
Taxation At 31 December 2022, the Group carried deferred tax balances comprising $705.8 million of tax assets (primarily related to previous years' tax losses) and $166.3 million of tax liabilities (primarily related to the recognition of deferred taxes associated with the UK Energy Profits Levy). The introduction of an Energy Profits Levy by the UK Government in 2022, chargeable on taxable profits from the production of oil and gas in the UK, resulted in an additional net deferred tax liability of $153.7 million at 31 December 2022 (see note 7). The recoverability of the tax losses has been assessed by reference to future profit estimates derived from the Group's impairment testing. Ring-fence losses totalling $2,497.7 million ($902.1 million tax-effected) have been recognised. Given the complexity of tax legislation, risk exists in respect of some of the Group's tax positions.	The Committee received a report from the Group's Head of Tax, outlining all uncertain tax positions, and discussed management's assumptions of future profit estimates and evaluated the amount of deferred tax assets recognised. It was noted that the assumptions are consistent with those used in the impairment assessment (see above). The Committee also took into account the views of Deloitte as to the adequacy of the Group's tax balances. An evaluation of the transparency of the Group's tax exposures was undertaken, reviewing the adequacy and appropriateness of tax disclosures, including those related to the EPL, presented by management. Regard was also given to the observations made by Deloitte as to the appropriateness of the disclosures made.

Risk management

The Code requires that the Board monitors the Company's risk management and, at least annually, carries out and reports on the results of a review of their effectiveness. The Board has oversight of risk management within EnQuest for the Company's emerging and principal risks. Pages 40 to 42 provide more detail on how the Board, and its Safety, Sustainability and Risk Committee, has discharged its responsibility in this regard. The Audit Committee Chairman is also a member of the Safety, Sustainability and Risk Committee.

Internal control

Responsibility in respect of financial internal control is delegated by the Board to the Committee. The effectiveness of the Group's internal control framework is reviewed continually throughout the year. Key features include:

- Clear delegations of authority to the Board and its sub-Committees, and to each level of management;
- Setting of HSEA, operational and financial targets and budgets which are subsequently monitored by management and the Board;
- A comprehensive risk management process with clear definition of risk tolerance and appetite. This includes a review by the Safety, Sustainability and Risk Committee of the effectiveness of management controls and actions which address and mitigate the most significant risks;
- An annual risk-based internal audit programme developed in conjunction with management. Findings are communicated to the Audit Committee and follow-up reviews are conducted where necessary; and
- Further objective feedback provided by the external auditors and other external specialists.

Obtaining assurance on the internal control environment

The Committee received reports from internal audit at each scheduled Committee meeting in 2022 and meets privately with the internal auditor from time to time. The Committee continued to review the effectiveness and capabilities of internal audit and monitor its independence during the year. During the latter half of 2022, the Internal Audit Manager transitioned into the Group Financial Controller role. In order to ensure an ongoing programme of assurance, the Committee agreed that PwC would undertake the full internal audit programme until a replacement can be found. In order to ensure independence and objectivity, the primary reporting line of all assurance providers, including the Group's internal audit function, is to the Chair of the Committee, with day-to-day management oversight provided by the General Counsel.

The purpose, scope and authority of internal audit are defined within its charter which is approved annually by the Committee. The internal audit function maintains an internal quality assurance and improvement programme covering all aspects of internal audit's activities, and evaluates the conformance of these activities with the Chartered Institute of Internal Auditors' Standards.

The Group's system of internal control, which is embedded in all key operations, provides reasonable rather than absolute assurance that the Group's business objectives will be achieved within the risk tolerance levels defined by the Board. Regular management reporting, which provides a balanced assessment of key risks and controls, is an important component of assurance. As part of the Committee's self-evaluation assessment, it was noted that there remains an opportunity to begin the development of an Audit and Assurance Policy to focus attention on the level of assurance relating to all reported key financial and non-financial information.

In respect of the work performed by internal audit, an internal audit plan is approved by the Committee each year. When setting the plan, recommendations from management and internal audit are considered, and take into account the particular risks impacting the Company, which are reviewed by the Board and the Safety, Sustainability and Risk Committee. During 2022, internal audit activities were undertaken for various areas, including reviews of:

- Gender pay gap reporting and diversity and inclusion;
- HSEA KPIs;
- 'Purchase to pay' (Maximo) upgrade project (pre-execution);
- HSSE and asset integrity RMF Bowtie;
- HR RMF Bowtie and flexible working;
- Project execution RMF Bowtie; and
- Internal control processes of the financial accounting and reporting function.

Detailed results from internal audit were presented to management and a summary of the findings was presented to the Committee, together with copies of all internal audit reports. Where potential control enhancements were identified as being required, the Committee agreed appropriate actions with management and assessed management's response to the findings. Throughout the year, the Committee is kept appraised of management's progress against the agreed actions, with the majority of actions closed in accordance with the agreed schedule.

External audit

One of the Committee's key responsibilities is to monitor the performance, objectivity and independence of the external auditor. Each year, the Committee ensures that the scope of the auditor's work is sufficient and that the auditor is remunerated fairly.

When agreeing the annual audit fees, the Committee noted the significant change in the regulatory environment in recent years, including significant changes in auditing standards and the level of scrutiny on auditors from the FRC, resulting in an increase in the required investment in audit quality. In addition, the impact of inflation in a competitive job market have all resulted in a material impact on fees across the audit profession.

The annual process for reviewing the performance of the external audit process involves an interview or questionnaire with key members of the Group who are involved in the audit process to obtain feedback on the quality, efficiency and effectiveness of the audit. Additionally, Committee members take into account their own view of the external auditor's performance when determining whether or not to recommend reappointment. The Committee also held private meetings with the external auditor during the year.

The Committee considered the external audit plan, in particular to gain assurance that it was tailored to reflect changes in circumstances from the prior year. The significant audit risks addressed during the course of the 2022 audit were:
- Impairment of oil and gas assets and goodwill;
- Contingent consideration;
- Decommissioning provision;
- Deferred tax;
- Revenue recognition – crude oil cut-off; and
- Management override of controls.

Deloitte regularly updated the Committee on the status of their procedures during the year, including how they had challenged the Group's assumptions. The Committee and Deloitte discussed how risks to audit quality were addressed, key accounting and audit judgements, material communications between Deloitte and management and any issues arising from them.

Taking into account management's review and its own experiences with the external auditor, the Committee concluded that the audit team was providing the required quality in relation to the provision of audit services in its third year as auditor and has maintained its independence and objectivity. This was further confirmed by the results from the FRC's Audit Quality Review noted previously, which resulted in limited improvements required. As required under UK auditing standards, Deloitte confirmed their independence to the Committee.

The Committee considers the reappointment of the external auditor each year, including consideration of the advisability and potential impact of conducting a tender process for the appointment of a different independent public accounting firm. The Committee is also responsible for making a recommendation to the Board for it to put to the Company's shareholders for approval at the AGM, to appoint, reappoint or remove the external auditor. At the AGM in June 2022, the shareholders approved a resolution to reappoint Deloitte as external auditor. The Company has complied with the Code and FRC Guidance in respect of audit tendering and rotation, under which the Company will be required to tender for the audit no later than the 2030 financial year. The Committee regularly reviews auditor performance and may elect to carry out the tender earlier than the 2030 financial year if it determined it would be in the interests of the Company's shareholders to do so.

Use of external auditors for non-audit services

The Committee is responsible for EnQuest's policy on non-audit services and the approval of non-audit services. The Committee and Board believe that the external auditor's independence and objectivity can potentially be affected by the level of non-audit services to EnQuest. However, the Committee acknowledges that certain work of a non-audit nature is best undertaken by the external auditor given their working knowledge of the Group. To ensure objectivity and independence, and to reflect best practice in this area, the Company's policy on non-audit services reflects the UK Regulations.

As part of the Committee's process in respect of the provision of non-audit services, the external auditor provides the Committee with information about its policies and processes for maintaining independence and monitoring compliance with current regulatory requirements.

The key features of the non-audit services policy, the full version of which is available on our website (www.enquest.com; under Corporate Governance within the Investors section), are as follows:
- A pre-defined list of prohibited services has been established;
- A schedule of services where the Group may engage the external auditor has been established and agreed by the Committee;
- Any non-audit project work which could impair the objectivity or independence of the external auditor may not be awarded to the external auditor; and
- Fees for permissible non-audit services provided by the external auditor are to be capped at no more than 70% of the average Group audit fee and the UK audit fee for the preceding three years.

The Committee continues to review non-audit services and, in light of the revised FRC Ethical Standards, reviews the scope of work to ensure its close link to audit services.

The Committee regularly reviews reports from management on the audit and non-audit services reported in accordance with the policy or for which specific prior approval from the Committee is being sought.

Delegated authority by the Committee for the approval of non-audit services by the external auditor is as follows:

Authoriser	Value of services per non-audit project
Chief Financial Officer	Up to £50,000
Chairman of the Audit Committee	Up to £100,000
Audit Committee	Above £100,000

In each case where the audit or non-audit service contract does not exceed the relevant threshold, the matter is approved by management by delegated authority from the Committee and is subsequently presented for approval by the Committee at the next meeting.

The scope of the non-audit services contracted with the external auditor in 2022 consisted mainly of the interim review and other assurance services associated with the Group's debt refinancing activities undertaken during the year.

Directors' Remuneration Report

> **"The Committee's focus remains on ensuring reward for Executive Directors, the Executive Committee and senior managers incentivises the delivery of EnQuest's strategy and performance goals."**

Howard Paver
Chair of the Remuneration and Social Responsibility Committee

Dear fellow shareholder

On behalf of the Board and my fellow members of the Remuneration and Social Responsibility Committee, I am pleased to present EnQuest's Directors' Remuneration Report ('DRR') for the financial year ended 31 December 2022.

Overview

The Committee has remained focused on ensuring the appropriateness of the Group's overall reward package available for Executive Directors to maintain continued alignment with our own Remuneration Policy and the UK Corporate Governance Code (the 'Code'). These core principles were at the forefront when the Committee set the compensation of the new Chief Financial Officer ('CFO') in 2022.

We carefully consider all components of Executive Directors' and Executive Committee members' reward to ensure that they remain competitive with the remuneration practices in companies of a similar size and scope. Ahead of the proposed recommendations for salary changes in 2023, the Committee robustly examined benchmarking data with the ongoing support of an independent remuneration adviser, in addition to considering both the increases made across the wider workforce and the personal performance contributions of each executive.

The Committee believes that the current remuneration structure remains clear, simple and closely aligned with the Group's strategy, risk appetite and culture, and that incentives are appropriately capped.

In line with Directors' Remuneration Reports since 2019, the chosen calculation for the 2022 Chief Executive Officer ('CEO') pay ratio was in line with single figure methodology, also known as 'Option A', resulting in a CEO pay ratio of 20:1 in 2022.

Within the Strategic report, the Group has set out its intent to contribute positively towards the objective under the UK's current legislation to achieve net zero emissions by 2050. Emission reduction targets continue to form a key performance condition of three-year Performance Share Plan ('PSP') awards.

The DRR has three sections:

1. This annual summary statement;
2. A summary of the Policy approved in 2021 which is presented for information only; and
3. The Annual Report on Remuneration of the Executive Directors and Non-Executive Directors for 2022, which will be subject to an advisory shareholder vote at the 2023 AGM.

Committee changes

As announced on 6 December 2022, Martin Houston stepped down as the Non-Executive Chair of the Board and as a member of the Committee. He was succeeded as Non-Executive Chairman by Gareth Penny, who also became a member of the Committee in February 2023. The all-inclusive fee for Gareth Penny as Chairman of the Board was discussed by the Committee and was maintained at the current level.

Chief Financial Officer succession

After Jonathan Swinney notified the Board of his intention to step down as CFO and Executive Director, the Board approved a successor. Salman Malik, who joined the Company in 2013, became CFO on 15 August 2022, with his remuneration set at a level that is aligned to an external comparator group and reflects his retained dual responsibility as Managing Director, Corporate Development, Infrastructure and New Energy. Acknowledging this broader role, Salman Malik's base salary was set at £440,000 per annum with a payment in lieu of pension contribution of 10% of base salary. His package complies fully with the 2020 Remuneration Policy that was approved by shareholders at the 2021 AGM. Further information on Salman's remuneration package since his appointment as CFO is provided on pages 93 and 101.

Since stepping down from the Board, Jonathan Swinney has been available to work closely with Salman Malik to ensure a smooth transition and provide assistance in relation to ongoing projects. Jonathan Swinney left the Company on 22 March 2023.

Jonathan Swinney's remuneration arrangements continued to be in line with his service contract and the Remuneration Policy.

Shareholder consultation

Continued open and transparent shareholder dialogue provides an invaluable contribution to the Committee.

The current 2020 Remuneration Policy was approved by 95.4% of shareholders and during 2022, shareholders continued to contribute to the Committee's ongoing work in ensuring our Policy continues to support and drive our business strategy. During 2022, we used shareholder feedback to further simplify the performance measures used in both the annual bonus and PSP, as well as to test support for the remuneration package for our new CFO.

In line with corporate governance standards, we intend to review the Policy during 2023 ahead of its submission for shareholder approval at the 2024 AGM. Shareholder consultation will form a key part of the Committee's review over the course of the coming year. Ensuring our Remuneration Policy supports and drives our business strategy remains a core requirement for the Committee.

Performance and remuneration outcomes for 2022

Production performance in 2022 was on target for the year and expenditure measures that included operating, capital and decommissioning expenditure exceeded stretch performance. This combination helped to drive an overall strong performance for the year. A key target for the year was to reset the capital structure and strengthen the balance sheet. The refinancing of the Group's retail bond, high yield bond and reserve based lending facility were all delivered despite challenging market conditions. An important ongoing environmental, social and governance ('ESG') objective for the Company is to ensure a marked reduction to the emissions from the assets within EnQuest's portfolio and in 2022 we are proud to have again exceeded our target. We have also exceeded our expectations with lower employee attrition than targeted and made good progress with the delivery of projects in our growth agenda.

2022 annual bonus – payable in 2023

The Executive Directors' annual bonus awards are based on a combination of financial and operational results and the achievement of key accountability objectives. The bonus attainment for Amjad Bseisu (CEO) was based solely on achievement against the Company Performance Contract ('CPC'). For Salman Malik, his bonus for the period prior to being appointed as CFO was based on a combination of CPC outcome (50% of target) and individual performance objectives (the remaining 50% of target). From the date of his appointment as CFO in August 2022, Salman's annual bonus was also based entirely on the CPC outcome.

The 2022 target and maximum bonus potential for Amjad Bseisu was 75% and 125% of salary, respectively, with the final bonus award being equal to 92.88% of base salary (74.30% of maximum). From his appointment as CFO on 15 August 2022, Salman Malik's target and maximum bonus potential was also 75% and 125% of base salary, with the final award being applied pro rata to reflect his time in the role. The final award for Salman Malik in his role as CFO was equal to 35.4% of annual salary. The Committee believes that the payouts, which were generated directly from the CPC outcome, are appropriate and representative of the performance of the Executive Directors and senior management when balanced against the shareholder and employee experience, and that further discretionary adjustment was not required. Full details of how these awards were determined are included on pages 93 to 95 of this report. Following his resignation, Jonathan Swinney was not awarded an annual bonus for performance in 2022.

Performance Share Plan ('PSP')

The three-year performance period for the 2020 PSP ended on 31 December 2022. Vesting of these awards was based wholly on EnQuest's TSR performance relative to an agreed group of sector comparators. Over the performance period, EnQuest's TSR ranked between the median and upper quartile, resulting in 74.8% of the original award vesting. In line with the Directors' Remuneration Policy, vested awards will be subject to a mandatory two-year holding period commencing on 9 September 2023.

To mitigate any potential windfall gains on vesting, at the time the awards were made, the Committee applied its discretion and used the 12-month average share price at the date of award for Executive Directors.

During the year, a PSP award calculated at 250% of salary for Amjad Bseisu and 75% of salary for Salman Malik (before he was appointed as CFO) was granted on 27 April 2022, measured 80% against relative total shareholder return ('TSR') and 20% against the achievement of an emission reduction target.

Executive Director shareholding

Executive Directors are expected to build up and hold a shareholding of 200% of salary. Amjad Bseisu comfortably meets this requirement and, as a new Executive Director, Salman Malik is expected to build up to this level within five years of his appointment.

Executive Director remuneration in 2023

2023 base salaries

For 2023, the Committee has increased the CEO's salary by 4%, slightly below the average increase for the UK workforce. The salary of the CFO, set on his appointment in August 2022, will not be increased in 2023.

The Committee is mindful of the market positioning of the CEO's fixed remuneration and its proximity to the CFO's, and has committed to review and recommend an appropriate course of action during 2023.

2023 annual bonus

For 2023, the annual bonus for the CEO and CFO will be based 100% on the 2023 CPC outcome, with a target level of 75% of salary and a maximum of 125% of salary. Details of the performance measures and weightings are set out on page 101.

2023 PSP awards

As with the annual bonus, there will be no change to the operation of the PSP in 2023, and Amjad Bseisu and Salman Malik will each receive an award of 250% of salary in April 2023. Awards will continue to be measured 80% on the basis of TSR performance relative to a peer group (the constituents of which have been slightly revised for 2023), and 20% on emission reduction over the period 1 January 2023 to 31 December 2025. Further details are set out on pages 101 and 102.

Conclusion

We continue to appreciate the benefits of transparency and proactive interaction with major shareholders. We welcome your input and are always open and ready to listen and take on board suggestions that help EnQuest to continue to develop and improve.

The Committee and I wish to thank all our shareholders for their ongoing support over the years. I hope you will support and vote for this DRR at the forthcoming AGM.

Howard Paver
Chair of the Remuneration and Social Responsibility Committee
4 April 2023

Governance

General governance

The Directors' Remuneration Report has been prepared in accordance with the requirements of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013. It also describes the Group's compliance with the 2018 UK Corporate Governance Code (the 'Code') in relation to remuneration. The Committee has taken account of the new requirements for the disclosure of Directors' remuneration and guidelines issued by major shareholder bodies when setting the remuneration strategy for the Group.

Remuneration Policy

The following sections of this report set out a summary of our Directors' Remuneration Policy (the 'Policy'), which was approved by shareholders at the 2021 Annual General Meeting ('AGM') in accordance with Section 439A of the Companies Act 2006.

Remuneration principles

In determining the Policy approved at the 2021 AGM and summarised below, the Group reviewed its overall remuneration principles to ensure that they continue to be aligned with the Group's strategy and stakeholder interests. EnQuest's strategic objective is to be the partner of choice for responsible management of existing energy assets, applying our core capabilities to create value through the transition.

EnQuest's remuneration principles remain clear and simple: to ensure that the Group operates with the appropriate culture, strengthening the link between reward and performance and emphasising the importance of its purpose and Values.

In summary, the principles underpinning the Policy are that remuneration for Executive Directors should:
- Support alignment of executives with stakeholders;
- Be fair, reflective of best practice, and market competitive;
- Comprise fixed pay set around the median and variable pay capable of delivering remuneration at upper quartile; and
- Reward performance with a balance of short-term and long-term elements, with the emphasis on longer-term reward.

The table below sets out how the principles of the Code relating to the design of remuneration policies and practices have been applied:

Clarity	Simplicity	Risk	Predictability	Proportionality	Alignment to culture
Ensure a strong link between pay and performance and that our remuneration structure is designed to be appropriately logical and transparent. The Group engages in shareholder consultation when considering material changes to Policy or process. The Group believes its remuneration arrangements, and the principles underpinning them, are clear and well understood by its stakeholders.	Remuneration for Executive Directors is comprised of distinct elements: • Salary; • Pension and other benefits aligned with the wider UK workforce (in accordance with Provision 38 of the Code); • Annual bonus; and • Long-term incentive awards to reward sustainable long-term performance.	Remuneration arrangements ensure that the risks from excessive rewards are easily identified and mitigated. Salaries are reviewed annually and consider a variety of factors, including external benchmarking and salary increases across the wider workforce. Variable pay elements are linked directly to Group performance.	Target ranges and potential maximum payments under each element of remuneration are disclosed within the DRR. The Committee operates a high degree of discretion over variable pay elements and can adjust any pay outcomes that the Committee deems are inconsistent with the performance of the Group.	The Committee has ensured that appropriate safeguards are incorporated into the 2021 Policy. The annual bonus is directly aligned to Group objectives, and the Committee retains discretion to adjust outcomes that are considered disproportionate to the experience of other stakeholders.	The Group's Business performance metrics and remuneration structure are aligned to its culture and Values, with specific non-financial measures included in performance metrics. The Committee keeps all performance metrics under review and retains the flexibility to introduce further culture and Values measures into its annual bonus plan.

Executive Directors

General approach

The remuneration of the Executive Directors comprises base salary, participation in an annual bonus plan (paid partly in cash and partly in deferred shares), a long-term incentive plan (referred to as the PSP), private medical insurance, life assurance, personal accident insurance, and a modest cash allowance in lieu of pension.

When setting remuneration for the Executive Directors, the Committee takes into account the performance and experience of the Director, as well as the Group performance, employment conditions for other employees in the Group, and the external marketplace. Comparative data for our sector is obtained from a variety of independent sources.

The following table summarises EnQuest's Remuneration Policy which became binding on 12 May 2021 with 95.35% of votes cast in favour. The full policy can be viewed in the 2020 Annual Report which can be found on the Group's website, www.enquest.com:

Component	Operation/key features	Maximum potential opportunity	Applicable performance measures
Salary and fees	• Set at or below median when compared to a comparator group and reviewed by the Committee annually.	• Increases in excess of the general workforce by exception only.	None.
Pension and other benefits	• Pension delivered as cash in lieu, with remaining benefits provided by the Group. • Participation in Sharesave permitted. • Additional benefits offered when required, in line with local practice. • Reasonable business-related expenses permitted. • Benefits reviewed periodically.	• Maximum pension allowance is lesser of 10% of salary or £50,000[1]. • Private medical and personal accident insurance. • Life assurance.	None.
Annual bonus	• Bonus in excess of 100% of salary deferred into EnQuest shares for two years, otherwise paid in cash. • Committee discretion to allow dividend equivalent on deferrals. • Cash and share elements both subject to malus and clawback for up to three years post payment.	• Target award: 75% of salary. • Maximum award: 125% of salary.	• Scorecard including key performance objectives set annually by the Committee and measured against threshold, target and stretch levels with bonuses accruing on a sliding scale from 0% at threshold.
Performance Share Plan ('PSP')	• Awarded annually. • Three-year vesting dependent on achievement of performance conditions. • Further two-year holding period. • Awards can be conditional, nil cost options or joint interests in shares. • Dividend equivalent on unvested awards permitted in shares. • Subject to malus and clawback.	• Normal maximum: 250% of salary. • Exceptional maximum: 350% of salary.	• A blend of measures including, but not limited to, relative TSR and ESG measures. • Maximum of 25% vesting at threshold. • Performance conditions detailed in the Annual Report on Remuneration. • The number, type and weighting of measures may vary in the future in line with business priorities. • Shareholder consultation will normally take place before material changes are made.
Shareholding requirements	• Executive Director shareholding of at least 200% of salary, with a requirement that this level is achieved within five years of appointment. • Shareholding to be retained at the lower of actual shareholding or 200% of salary for two years post-employment, including both vested and unvested shares.	n/a	None.
Chairman and Non-Executive Director fees	• Reviewed annually considering comparator group fee levels, time commitment and employee salary increases. • Non-Executive Directors receive base fees with additional fees paid to Committee Chairs and the Senior Independent Director. • Additional fees can be paid if there is a material increase in time commitment. • Reasonable business-related expenses are permitted. • Not eligible for Group benefits or incentive schemes. • Chairman receives an all-inclusive fee set by the Senior Independent Director.	• Reviewed periodically and limited by the Company's Articles of Association.	None.

Note:
1 Pension allowance for Amjad Bseisu was 10.1% of salary in 2022 in line with the planned transition to pension contribution equivalence with the broader workforce started in 2021. From 2023, Amjad Bseisu will be aligned to this Policy with a pension allowance at 9.7% of salary

Changes to policy
No changes have been made to the Policy since its adoption at the 2021 AGM.

Performance measures and targets
Annual bonus
The key performance indicators in the Group scorecard that also determine a significant proportion of the annual bonus of Executive Directors include, but are not limited to, the following categories:
- Environmental, social and governance ('ESG');
- Financial (including operating expenditure ('opex'), capital expenditure ('capex') and EnQuest net debt;
- Operational performance/production;
- Project delivery;
- Reserves additions; and
- Objectives linked to key accountabilities.

The measures in each category are selected by the Committee to support the creation of shareholder value. These criteria are also aligned with the longer-term strategy of the Group and the performance conditions of the Group's PSP. In addition to measuring performance against objectives, the Committee will consider the overall quality of the Group's financial performance and other factors, particularly HSEA, when determining annual performance pay awards.

Bonus objectives for Amjad Bseisu are typically based solely on the Group scorecard, referred to as the Company Performance Contract ('CPC') of EnQuest. The CFO's bonus objectives are also primarily based on the CPC for EnQuest, but may also include up to 25% based on additional objectives that cover specific key accountabilities and responsibilities of this role.

Annual performance bonus and share deferrals
Executive Directors will normally receive any applicable annual performance bonus in cash and deferred shares, with any amount above the equivalent of 100% of salary converted into EnQuest shares (without further performance conditions) and deferred for two years, subject to continued employment. In exceptional circumstances, these awards may be settled in cash, but only with the pre-approval of the Remuneration Committee.

Performance Share Plan
The PSP is typically awarded annually and has a minimum vesting period of three years. Awards granted from 2019 onwards are subject to an additional two-year holding period which, unless the Committee determines otherwise, will apply up to the fifth anniversary of the date of grant.

Approach to recruitment remuneration

In the event that the Company appoints a new Executive Director, either internally or externally, when determining appropriate remuneration arrangements, the Committee will take into consideration a number of factors including, but not limited to: quantum relating to prior arrangements; the remuneration of other Executive Directors in the Company; appropriate benchmarks in the industry; and the financial condition of the Group. On the appointment of a new Chair or Non-Executive Director, the fees will be set taking into account the experience and calibre of the individual. This ensures that the arrangements are in the best interests of both the Company and its shareholders without paying more than is necessary to recruit an executive of the required calibre.

Salaries for new hires (including internal promotions) will be set to reflect their skills and experience, the Group's intended pay positioning and the market rate for the role. If it is considered appropriate to appoint a new Director on a below-market salary initially (for example, to allow them to gain experience in the role), their salary may be increased to a median market level over a period by way of increases above the general rate of wage growth in the Group and inflation.

The remuneration package for a new Executive Director would be set in accordance with the terms of the Group's approved Policy at the time. Different performance objectives may be set for the year of joining the Board for the annual bonus and PSP, taking into account the individual's role and responsibilities and the point in the year the executive joined.

Benefits and pensions for new appointees to the Board will be provided in line with those offered to other executives and employees taking into account corporate governance requirements and local market practice, with relocation expenses/ arrangements provided for, if necessary. Tax equalisation may also be considered if an executive is adversely affected by taxation due to their employment with EnQuest. Legal fees and other relevant costs and expenses incurred by the individual may also be paid by the Group.

In the case of an internal promotion, any outstanding variable pay awarded in relation to the previous role will be allowed to continue according to its terms of grant.

The Committee may make additional awards on appointing an Executive Director to 'buy out' remuneration arrangements forfeited on leaving a previous employer. Any such payments would be based solely on remuneration lost when leaving the former employer and would reflect (as far as practicable) the delivery mechanism, time horizons and performance requirement attached to that remuneration. The Group's existing incentive arrangements, including the 2020 Restricted Share Plan ('RSP'), will be used to the extent possible for any buyout (subject to the relevant plan limits), although awards may also be granted outside of these schemes, if necessary, and as permitted under the Listing Rules.

Service contracts

Amjad Bseisu and Salman Malik entered into service agreements with the Company which are terminable by either party giving not less than 12 months' written notice. The Company may terminate their employment without giving notice by making a payment equal to the aggregate of the Executive Director's base salary and the value of any contractual benefits for the notice period including any accrued but untaken holiday. Such payments may be paid monthly and would be subject to mitigation.

Executive Directors[1]	Date of appointment	Notice period
Amjad Bseisu	22 February 2010	12 months
Salman Malik	15 August 2022	12 months

Note:
1 Jonathan Swinney stood down as an Executive Director in August 2022

The Chairman and Non-Executive Directors have letters of appointment, the details of which are provided below.

Non-Executive Directors' letters of appointment[1]	Date of appointment	Notice period	Initial term of appointment
Gareth Penny	6 December 2022	3 months	3 years
Carl Hughes	1 January 2017	3 months	3 years
John Winterman	7 September 2017	3 months	3 years
Howard Paver	1 May 2019	3 months	3 years
Farina Khan	1 November 2020	3 months	3 years
Liv Monica Stubholt	15 February 2021	3 months	3 years
Rani Koya	1 January 2022	3 months	3 years

Note:
1 Phillip Holland stood down as a Non-Executive Director on 17 July 2022 and Martin Houston stood down as Non-Executive Chairman on 6 December 2022

External directorships
EnQuest recognises that its Executive Directors may be invited to become non-executive directors of companies outside the Company and exposure to such non-executive duties can broaden experience and knowledge, which would be of benefit to EnQuest. Any external appointments are subject to Board approval (which would not be given if the proposed appointment required a significant time commitment; was with a competing company; would lead to a material conflict of interest; or could otherwise have a detrimental effect on a Director's performance). Executive Directors will be permitted to retain any fees arising from such appointments, details of which will be provided in the respective companies' Annual Report on Remuneration.

Policy on payment for loss of office
The Company's policy is for all Executive Directors to have contracts of service which can be terminated by either the Director concerned or the Company on giving 12 months' notice of termination. In the event of termination by the Company (other than as a result of a change of control), the Executive Directors would be entitled to compensation for loss of base salary and cash benefit allowance and insured benefits for the notice period up to a maximum period of 12 months. Such payments may be made monthly and would be subject to mitigation. The Company may also enable the provision of outplacement services to a departing Executive Director, where appropriate.

When Executive Directors leave the Company with good leaver status, and they have an entitlement to unvested shares granted under the Deferred Bonus Share Plan ('DBSP') and PSP, any performance conditions associated with each award outstanding would remain in place and be tested as normal at the end of the original performance period. Shares would also normally then vest on their original vesting date in the proportion to the satisfied performance conditions and are normally pro-rated for time. Awards held by Executive Directors who are not good leavers would lapse.

An annual bonus would not typically be paid to Executive Directors when leaving the Company. However, in good leaver circumstances, the Committee has the discretion to pay a pro-rated bonus in cash, in consideration for performance targets achieved in the year. Deferred bonus shares held by good leavers will normally vest at the normal vesting date.

Similar provisions related to the treatment of incentive awards would apply on a change of control, with performance conditions normally tested at the date of the change of control and with pro-rating for time, although the Committee has discretion to waive pro-rating (but not the performance conditions) where it feels this is in the best interests of shareholders.

The Non-Executive Directors do not have service contracts but their terms are set out in a letter of appointment. Their terms of appointment may be terminated by either party giving three months' notice in writing. During the notice period, Non-Executive Directors will continue to receive their normal fee.

Remuneration and Social Responsibility Committee discretion and determinations
The Committee will operate the annual bonus scheme, DBSP, PSP, RSP and Sharesave Scheme according to their respective rules and in accordance with the Listing Rules and HMRC requirements, where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these arrangements. These include, but are not limited to, the following:
- Who participates in the plans;
- The timing of grant of award and/or payment;
- The size of an award and/or payment;
- Discretion relating to the adjudication of performance against targets in the event of a change of control or reconstruction;
- Applying good leaver status in circumstances such as death, ill health and other categories as the Committee determines appropriate and in accordance with the rules of the relevant plan;
- Discretion to disapply time pro-rating in the event of a change of control or good leaver circumstances;
- Discretion to settle any outstanding share awards in cash in exceptional circumstances;
- Adjustments or variations required in certain circumstances (for example, rights issues, corporate restructuring, change of control, special dividends and other major corporate events); and
- The ability to adjust existing performance conditions and performance targets for exceptional events so that they can still fulfil their original purpose.

If an event occurs which results in any applicable performance conditions and/or targets being deemed no longer appropriate (for example, a material acquisition or divestment), the Committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions or targets are not materially less difficult to satisfy.

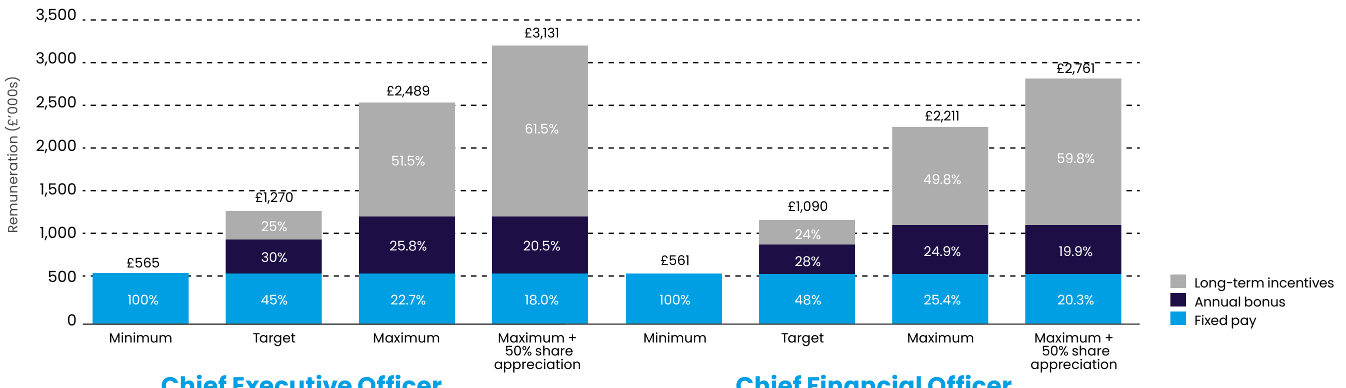
If tax liabilities arise from an error or omission by the Group that is outside of the control of the Executive Directors, the Committee will have the ability to reimburse any such tax liabilities.

Legacy awards
For the avoidance of doubt, authority is given to the Committee to honour any commitments entered into with current or former Directors (such as the payment of a pension or the unwind of legacy share schemes) that have been disclosed to shareholders in this or any previous DRRs or subsequently agreed in line with the approved Policy in force at that time. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

Remuneration outcomes in different performance scenarios
The charts below set out an illustration of the remuneration arrangements for 2023 in line with the Policy. These charts provide an illustration of the proportion of total remuneration made up of each component of the Policy and the value of each component.

In accordance with the remuneration reporting requirements, four 2023 scenarios are illustrated for each Executive Director:

Below threshold performance	• Fixed remuneration • Zero annual bonus • No vesting under the PSP
Target performance	• Fixed remuneration • 75% of annual base salary as annual bonus • 25% of maximum vesting under the PSP at threshold performance (62.5% of base salary)
Maximum performance	• Fixed remuneration • 125% of annual base salary as annual bonus • Full vesting under the PSP (250% of base salary)
Maximum performance plus 50% share appreciation	• Fixed remuneration • Maximum payout under the annual bonus • Full vesting under the PSP plus assumed 50% share price appreciation at vesting (equivalent to 375% of base salary)



Notes:
For the CEO, fixed pay comprises salary from 1 January 2023, a pension allowance of £50,000 plus medical insurance benefit of £1,133.
For the CFO, fixed pay comprises salary from 1 January 2023, a pension allowance of £44,000, international medical insurance benefit of £13,007 with an additional £13,884 in respect of grossing up the value of this premium in respect of taxation, plus a further fixed-term monthly allowance of £8,333 in respect of costs relating to relocating from the United Arab Emirates in 2022 (this allowance is scheduled to finish in June 2023).

Statement of consideration of employment conditions elsewhere in the Group

The remuneration arrangements for the Executive Directors are consistent with the remuneration principles that have been established and are similar to those of the other employees of EnQuest.

The key differences are as follows:

- Executive Directors and members of the Executive Committee have their fixed pay set below or at market median for the industry; other employees typically have their salaries positioned at market median. Specific groups of key technical employees may have their salaries set above median for the industry;
- All employees are offered a non-contributory pension scheme. Executive Directors have opted to receive cash in lieu of pension. Non-Executive Directors do not participate in any pension or benefits arrangements;
- Non-Executive Directors do not participate in the annual bonus scheme;
- If applicable, Executive Directors have an element of the annual bonus automatically converted to shares and deferred; and
- All other employees may be invited to participate in the DBSP where they can elect to defer a defined proportion of their annual bonus and receive a matching amount of shares that vest over the following three years. Executive Directors are not eligible to receive matching share awards under this plan.

During the annual remuneration review, the Committee receives a report which details the remuneration arrangements of other executives and senior management as well as the overall spend versus budget for all employees. This report helps to act as a guide to the Committee as to the levels of reward being achieved across the organisation so that they can ensure the Directors' pay does not fall out of line with the general trends.

Employees have not previously been directly consulted about the setting of Directors' pay, although the Committee will take into consideration any developments in regulations in operating this Policy.

Statement of shareholder views

The Remuneration and Social Responsibility Committee welcomes and values the opinions of EnQuest's shareholders with regard to the structure and levels of remuneration for Directors. The 2021 DRR was voted on at the AGM held in June 2022, where 86.13% of the votes cast were in favour. The Policy, where 95.35% of votes cast at the AGM held in May 2021 were in favour, incorporated shareholder feedback following consultation.

Annual Report on Remuneration for 2022

Terms of reference

The Committee's terms of reference are available either on the Group website, www.enquest.com, or by written request from the Company Secretariat team at the Group's London headquarters. The remit of the Committee embraces the remuneration strategy and policy for the Executive Directors, the Executive Committee, senior management and, in certain matters, for the whole Group.

Meetings in 2022

The Committee has four scheduled meetings per year. During 2022, it met on four occasions to review and discuss appropriate compensation for Salman Malik as incoming CFO, base salary adjustments for 2023, the setting of Group performance conditions and related annual bonus for 2022, PSP performance conditions, UK Corporate Governance Code provisions and the approval of share awards.

Committee members, attendees and advisers

Member	Date appointed Committee member	Attendance at scheduled meetings during the year
Howard Paver	1 May 2019	4 of 4
Martin Houston[1]	15 October 2019	3 of 4
Farina Khan	1 November 2020	4 of 4
Gareth Penny[2]	15 February 2023	n/a

Notes:
1 Martin Houston stepped down as Non-Executive Chairman and as a member of the Committee on 6 December 2022
2 Gareth Penny was appointed as a member of the Committee on 15 February 2023

Advisers to the Remuneration and Social Responsibility Committee

The Committee invites individuals to attend meetings to provide advice so as to ensure that the Committee's decisions are informed and take account of pay and conditions in the Group as a whole. Those individuals, who are not members but may attend by invitation, include, but are not limited to:

- The Chief Executive (Amjad Bseisu);
- The Chief Financial Officer (Salman Malik);
- The Company Secretary;
- A representative from the Group's Human Resources department;
- A representative from Mercer Kepler, appointed as remuneration adviser by the Committee from 1 August 2017, and terminated in March 2022; and
- A representative from Ellason LLP, appointed as remuneration adviser by the Committee from 1 April 2022.

Information subject to audit

Directors' remuneration: the 'single figure'

In this section of the report, payments made to the Executive and Non-Executive Directors of EnQuest for the year ended 31 December 2022, together with comparative figures for 2021 are set out.

Single total figure of remuneration – Executive Directors

		'Single figure' of remuneration – £'000s[1]							
Director	Year	Salary and fees	All taxable benefits	Pension[3]	Total fixed pay	Annual bonus[4]	LTIP[5]	Total variable	Total fixed and variable
Amjad Bseisu	**2022**	**494**	**1**	**50**	**545**	**458**	**1,352**	**1,810**	**2,355**
	2021	479	1	50	530	392	736	1,128	1,658
Salman Malik[2]	**2022**	**207**	**53**	**20**	**280**	**156**	**249**	**405**	**685**
Jonathan Swinney[6]	**2022**	**211**	**1**	**21**	**233**	**0**	**0**	**0**	**233**
	2021	338	1	34	373	277	516	793	1,166
Total	**2022**	**912**	**55**	**91**	**1058**	**614**	**1,601**	**2,215**	**3,273**
	2021	817	2	84	903	669	1,252	1,921	2,824

Notes:
1 Rounding may apply
2 Salman Malik was appointed CFO on 15 August 2022 and his salary, benefits and variable incentives are shown on a pro-rata basis, with the LTIP value based on an award made before his appointment. Taxable benefits for Salman Malik include grossed-up international private medical insurance and a fixed-term monthly allowance of £8,333 in respect of relocation costs (this allowance is due to terminate in June 2023)
3 Cash in lieu of company pension contribution
4 The amount stated is the full amount (including any portion deferred). Any amount that is above 100% of their salary is paid in EnQuest PLC shares, deferred for two years, and subject to continued employment
5 PSP awarded on 24 April 2020 which will vest on 9 September 2023: the LTIP value shown in the 2022 single figure is calculated by taking the number of performance shares that will vest (74.80%) multiplied by the average value of the EnQuest share price between 1 October 2022 and 31 December 2022 (25.50 pence), as the share price on 9 September 2023 is not known at the time of this report. This number of shares has been adjusted in line with the open offer dated 26 July 2021, further details of which are included on page 97.
The PSP awarded on 24 April 2019 which vested on 24 April 2022: the LTIP value shown in the 2021 single figure is calculated by taking the number of performance shares that vested (43.89%) multiplied by the actual share price of 31.90 pence on the next business day following the vesting date of 24 April 2022, as the vesting date was a weekend in the UK. The 2021 value of the vested shares in the remuneration table has been updated from last year's value to represent the actual value received on the date of vesting
6 Jonathan Swinney stepped down as CFO on 15 August 2022 and his salary and benefits are shown on a pro-rata basis. Following his resignation, he was not entitled to any variable incentives

Single total figure of remuneration – Non-Executive Directors

The remuneration of the Non-Executive Directors for the year ended 31 December 2022 was as follows, together with comparative figures for 2021:

	'Single figure' of remuneration – £'000s					
Director	**Salary and fees 2022**[7]	Salary and fees 2021	**All taxable benefits 2022**	All taxable benefits 2021	**Total for 2022**	Total for 2021
Gareth Penny[1]	**14**	–	**–**	–	**14**	–
Martin Houston[2]	**264**	200	**–**	–	**264**	200
Howard Paver	**105**	80	**–**	–	**105**	80
Carl Hughes	**95**	70	**–**	–	**95**	70
Philip Holland[3]	**58**	70	**–**	–	**58**	70
John Winterman	**95**	70	**–**	–	**95**	70
Farina Khan[4]	**85**	60	**–**	–	**85**	60
Liv Monica Stubholt[5]	**85**	45	**–**	–	**85**	45
Rani Koya[6]	**88**	–	**–**	–	**88**	–
Total	**889**	595	**–**	–	**889**	595

Notes:
1 Gareth Penny was appointed as Non-Executive Chairman on 6 December 2022. His fees were pro-rated
2 Martin Houston stepped down from the role of Non-Executive Chairman on 6 December 2022. His fees were pro-rated
3 Philip Holland retired from the Board on 17 July 2022. His fees were pro-rated
4 Farina Khan became a member of the Remuneration and Social Responsibility Committee in February 2021
5 Liv Monica Stubholt was appointed to the Board on 15 February 2021. Her fees in 2021 were pro-rated
6 Rani Koya was appointed to the Board on 1 January 2022 and became a member of the Safety, Sustainability and Risk Committee and Technical Committee. On 1 September 2022, Rani became Chair of the Safety, Sustainability and Risk Committee and her additional fee as a Committee Chair was pro-rated in 2022
7 Non-Executive Directors were each paid an additional one-off fee of £25,000 in July 2022. Further details in the Governance section, page 73

Annual bonus 2022 – paid in 2023
The Committee's belief is that any short-term annual bonus should be tied to the overall performance of the Group. An Executive Director's annual bonus may also be tied to additional objectives that cover their own specific area of key accountabilities and responsibilities. The maximum bonus entitlement for the year ended 31 December 2022 as a percentage of base salary was 125% for Amjad Bseisu and Salman Malik.

For both Amjad Bseisu and Salman Malik, the annual bonus reported in the single figure table for 2022 was wholly based on the CPC results, with Salman's bonus pro-rated from the date of his appointment as CFO.

Company Performance Contract ('CPC')
The details of the CPC for both Amjad Bseisu and Salman Malik are set out in the following tables, showing the performance conditions and respective weightings against which the bonus outcome was assessed.

		Performance targets and payout[1]		
Performance measure	Weighting			Amjad Bseisu and Salman Malik[2]
Production (Kboed)	25.00%	Threshold: 44.0 Target: 47.0 Maximum: 51.0	Maximum bonus % available	31.25%
		Actual: 47.3	**Actual % payout**	**19.75%**
Expenditure Cash opex/capex/abex ($ million)	15.00%	Threshold: 821.2 Target: 684.3 Maximum: 658.8	Maximum bonus % available	18.75%
		Actual: 576.1	**Actual % payout**	**18.75%**
ESG, culture and D&I Emissions: reduce diesel usage and flaring against 2021	5.00%	Threshold reduction: 5.0% Target reduction: 10.0% Maximum reduction: 15.0%	Maximum bonus % available	6.25%
		Actual: 12.0%	**Actual % payout**	**4.75%**
ESG, culture and D&I Improve on outcome of diversity and Inclusion pulse survey against 2021	5.00%	Threshold: holding position Target: improving Maximum: exceeding	Maximum bonus % available	6.25%
		Actual: Threshold	**Actual % payout**	**1.88%**
ESG, culture and D&I Manage voluntary employee attrition rates	5.00%	Threshold: 16.0% Target: 11.0% Maximum: 6.0%	Maximum bonus % available	6.25%
		Actual: 8.0%	**Actual % payout**	**5.25%**
Liquidity management Deliver appropriate funding (extension/refinancing of RBL, refinancing of retail and high yield bonds)	25.00%	Threshold: deliver one Target: deliver two Maximum: deliver three	Maximum bonus % available	31.25%
		Actual: delivered three	**Actual % payout**	**31.25%**
Organic and inorganic growth Deliver projects that contribute to ongoing growth of the Company	20.00%	Threshold: deliver one Target: deliver two Maximum: deliver three or more	Maximum bonus % available	25.00%
		Actual: delivered one with partial delivery of another	**Actual % payout**	**11.25%**
Total bonus outturn (% of salary)				**92.88%**

Notes:
1 Rounding has been applied to percentages and figures shown
2 In relation to the financial measures, threshold, target and stretch performance pay out at 0%, 60% and 100% of maximum respectively and on a straight-line basis between threshold and target performance and between target and stretch performance

Any payout against the CPC may be subject to an additional underpin based on the Committee's assessment of the Group's HSEA performance. Following above-target performance in relation to HSEA metrics, it was the view of the Committee that the scorecard outcome was a reasonable representation of Executive Director performance and did not require further adjustment.

The annual bonus summary for the Executive Directors for 2022 is shown in the table on the following page based on the achievement of the performance conditions against the CPC for both Amjad Bseisu and Salman Malik.

Performance measure[2]	Weighting	Maximum	Amjad Bseisu Actual outturn % of salary[1]	Salman Malik
Production (Kboed)	25.00%	31.25%	19.75%	
Expenditure – opex/capex/abex ($ million)	15.00%	18.75%	18.75%	
ESG, culture and D&I: emission reduction	5.00%	6.25%	4.75%	
ESG, culture and D&I: D&I survey	5.00%	6.25%	1.88%	
ESG, culture and D&I: employee attrition	5.00%	6.25%	5.25%	
Liquidity management	25.00%	31.25%	31.25%	
Growth - organic & inorganic	20.00%	25.00%	11.25%	
Total outturn (%)	**100.00%**	**125.00%**	**92.88%**	
Total payout (% of maximum)			**74.30%**	**74.30%**
Total payout (%)			**92.88%**	**92.88%**
(Pro-rated applies from appointment as CFO on 15 August 2022)			**n/a**	**35.37%**
Total 2022 bonus award (£)			**£458,347**	**£155,623**

Notes:
1 Rounding has been applied to the percentages shown
2 The total bonus outturn for Salman Malik was applied to his pro-rated annual base salary from the date of his appointment as CFO in August 2022. Salman Malik also received a pro-rated performance bonus based on targets set in his role as Managing Director, Corporate Development, Infrastructure and New Energy

2020 PSP awards that vest in 2023

The LTIP award made to Executive Directors on 10 September 2020 was based on the performance to the year ended 31 December 2022 and will vest on 9 September 2023.

Targets applying to the 2020 PSP award were set by the Committee in August 2020 following a period of consultation with shareholders. Performance conditions would normally be set in March each year, with awards granted in April; however, due to significant oil price volatility early in the year and the developing situation around COVID-19, awards were delayed in 2020.

The performance targets for this award and actual performance against those targets over the three-year financial period were as follows:

Measure	Weighting	Threshold (25% vesting)	Maximum (100% vesting)	Actual ranking	Vesting outcome (% of maximum)
Relative TSR over the period 1 January 2020 to 31 December 2022	100.0%	50th percentile	75th percentile	67th percentile	**74.80%**

Note:
The TSR comparators for the 2020 PSP cycle are shown in the table on page 97

The table below shows the number of nil cost options awarded on 10 September 2020 that will vest on 9 September 2023 and their value as at 31 December 2022. This figure is calculated by taking the average closing share price on each trading day of the period 1 October 2022 to 31 December 2022 and is used as the basis for reporting the 2022 'single figure' of remuneration. The actual value of these shares recorded in the remuneration table will be updated in 2023 to represent the actual value received on the day of vesting.

Name	Original number of shares	Adjusted number of shares[1]	Portion vesting	No. of shares vesting	Average share price £	Value at 31 Dec 2022 £
Amjad Bseisu	7,057,406	7,090,042	74.80%	5,303,351	0.2550	1,352,270
Salman Malik[2]	1,297,406	1,303,405	74.80%	974,946	0.2550	248,596

Notes:
1. Following an adjustment made in relation to the open offer of 26 July 2021
2. Awards made to Salman Malik were under the relevant terms applicable for his role before he was appointed CFO in August 2022

The 2020 PSP award granted to Amjad Bseisu was based on the average middle market quotation of the 12 months preceding the date of grant of 10 September 2020 of 16.64 pence. Compared to the average value of the EnQuest share price between 1 October 2022 and 31 December 2022 of 25.50 pence, this represents a 53.3% increase in the share price over the period and means that 34.7% of the reported value at 31 December 2022 is due to share price appreciation. The award made to Salman Malik in 2020 was while he was a member of the Executive Committee and was reduced in value by 15% in line with other Executive Committee members at the time.

The Committee is satisfied that the implied values vesting to Executive Directors and the overall single figures of remuneration for the year are appropriate taking into account the performance of the Group. At the time of grant a 12-month average share price was used instead of the normal three-day average, which led to the grant price being approximately 40% higher than it would otherwise have been. Due to this action that was applied at the time of grant, the Committee agrees that no further discretion was needed in relation to the change in share price. Awards will be subject to a mandatory two-year holding period ending in September 2025.

April 2022 PSP award grant
After due consideration of Business performance in 2021, the Remuneration and Social Responsibility Committee awarded the Executive Directors the following performance shares on 25 April 2022:

	Face value (% of salary)	Face value at date of grant £	Number of shares[1]	Performance period
Amjad Bseisu	250.0%	1,197,840	3,343,689	1 Jan 2022–31 Dec 2024
Salman Malik[2]	171.9%	580,017	1,619,078	1 Jan 2022–31 Dec 2024

Notes:
1 Based on the average middle market quote for the three days preceding the date of grant of 35.82 pence
2 The level of the PSP awarded to Salman Malik in 2022 was aligned to the level of his role prior to being appointed CFO

Summary of performance measures and targets – April 2022 PSP grant
The 2022 PSP share awards granted on 25 April 2022 will be measured 80% against a relative TSR performance condition over a three-year financial performance period and 20% based on emission reduction over the same period.

Vesting is determined on a straight-line basis between threshold and maximum for the performance condition.

The performance period for the award will be 1 January 2022 to 31 December 2024 and thereafter subject to a mandatory two-year holding period.

2022 PSP – schedule for vesting in 2025

Measure	Weighting	Threshold (25% vesting)	Maximum (100% vesting)
Relative TSR over the period 1 January 2022 to 31 December 2024	80.0%	50th percentile	75th percentile or higher
Emission reduction over the period 1 January 2022 to 31 December 2024	20.0%	10% reduction	12% reduction or more

Note:
1 Linear between threshold and maximum

PSP measure – base levels
These are the historical base levels that performance is measured from, for a three-year period for each annual PSP grant, up to and including the PSP award granted in 2022:

Year of grant	Emissions – base level
2020 100% relative TSR	n/a
2021 80% relative TSR/20% emission reduction	1,343 $ktCO_2e$
2022 80% relative TSR/20% emission reduction	1,145 $ktCO_2e$

The comparator group companies for the TSR performance condition relating to the 2020 PSP award are as follows:

FTSE 350	FTSE All-Share	FTSE AIM – Top 100	NASDAQ OMX Stockholm	Other
Capricorn Energy[1]	Harbour Energy[2]	Hurricane Energy	Africa Oil	Genel Energy
Tullow Oil	Pharos Energy	Rockhopper Exploration	Orrön Energy[3]	
		Bowleven	Aker BP ASA	
		Serica		

Notes:
1 Capricorn Energy was previously known as Cairn Energy
2 Harbour Energy was previously known as Premier Oil
3 Orrön Energy was previously known as Lundin Petroleum

The comparator group companies for the TSR performance condition relating to the 2021 and 2022 awards are as follows:

FTSE 250	FTSE AIM – Top 100	FTSE Small Cap	NASDAQ OMX Stockholm	Oslo Bors	Other
Capricorn Energy[1]	Jadestone	Pharos Energy	Africa Oil	Aker BP ASA	Genel Energy
Diversified Energy	Serica	Tullow Oil	Orrön Energy[3]	BW Energy	Hibiscus
Energean				DNO	Hurricane Energy
Harbour Energy[2]				Okea	Kosmos
					Maurel & Prom
					Santos

Notes:
1 Capricorn Energy was previously known as Cairn Energy
2 Harbour Energy was previously known as Premier Oil
3 Orrön Energy was previously known as Lundin Petroleum

The number of PSP awards outstanding as at 31 December 2022 is as follows:

	Total shares awarded	Adjusted shares awarded	Performance period	Performance conditions (and weighting)	Vesting date
Grant date – September 2020					
Amjad Bseisu	7,057,406	7,090,042	1 Jan 2020–31 Dec 2022	TSR (100%)	9 Sep 2023
Salman Malik	1,297,406	1,303,405			
Grant date – April 2021					
Amjad Bseisu	7,407,792	7,442,048	1 Jan 2021–31 Dec 2023	TSR (80%)	26 Apr 2024
Salman Malik	1,157,869	1,163,223		Emission reduction (20%)	
Grant date – April 2022					
Amjad Bseisu	3,343,689	n/a	1 Jan 2022–31 Dec 2024	TSR (80%)	24 Apr 2025
Salman Malik	1,619,078	n/a		Emission reduction (20%)	

Pension allowance
Executive Directors who do not participate in the EnQuest pension plan instead receive cash in lieu. Amjad Bseisu received £50,000, Jonathan Swinney received £21,000 and Salman Malik received £20,000 in 2022. This was equivalent to 10.1% of Amjad Bseisu's 2022 salary and 10.0% of the Executive Director salary received by Jonathan Swinney and Salman Malik in 2022.

Statement of Directors' shareholding and share interests
The interests of the Directors in the share capital of the Company as at 31 December 2022 are shown below:

In 2022, the following awards were granted, lapsed and adjusted for the Executive Directors.

PSP	31 December 2021	Granted	Lapsed	31 December 2022	Vesting period	Expiry date
Amjad Bseisu	5,240,006		2,940,168	0[1]	24 Apr 2019–24 Apr 2022	24 Apr 2029
	7,090,042			7,090,042	10 Sep 2020–9 Sep 2023	9 Sep 2030
	7,442,048			7,442,048	27 Apr 2021–26 Apr 2024	26 Apr 2031
		3,343,689		3,343,689	25 Apr 2022–24 Apr 2025	24 Apr 2032

PSP	31 December 2021	Granted	Lapsed	31 December 2022	Vesting period	Expiry date
Salman Malik	732,758		411,151	321,607	24 Apr 2019–24 Apr 2022	24 Apr 2029
	1,303,405			1,303,405	10 Sep 2020–9 Sep 2023	9 Sep 2030
	1,163,223			1,163,223	27 Apr 2021–26 Apr 2024	26 Apr 2031
		1,619,078		1,619,078	25 Apr 2022–24 Apr 2025	24 Apr 2032

Note:
1 Amjad Bseisu elected to exercise 2,299,838 shares in July 2022

The table above shows the maximum number of shares that could be released if awards were to vest in full. These awards first vest on the third anniversary of the award date, subject to the achievement of performance conditions (as described elsewhere in this report). Awards vesting from 2019 onwards will then be subject to an additional two-year holding period which, unless the Committee determines otherwise, will apply up to the fifth anniversary of the date of grant.

Statement of Directors' shareholdings and share interests
Executive Directors are currently required to build up and hold shares in the Company worth 200% of salary and are expected to retain 50% of shares from vested awards under the PSP (other than sales to settle any tax or social security withholdings due) until they hold at least 200% of salary in shares (this includes shares which are beneficially owned directly or indirectly by family members of an Executive Director).

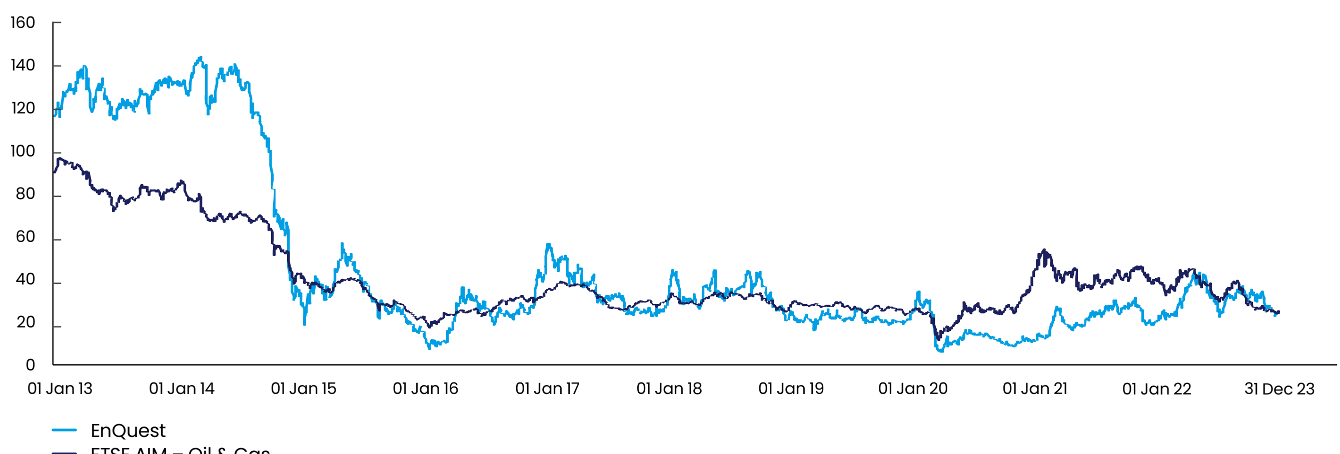
	Legally owned (number of shares)	Value of legally owned shares as % of salary[1]	Unvested and subject to performance conditions under the PSP	Vested but not exercised under the PSP	Vested but not exercised under the RSP	Sharesave	Executive deferrals	Total at 31 December 2022	Value of shareholding as a % of salary[1]
Amjad Bseisu[2]	234,732,857	12,128%	16,089,088	4,604,010	–	–	72,475	255,498,430	13,201%
Salman Malik	565,705	33%	3,757,247	444,086	–	–	–	4,767,038	276%
Gareth Penny	–	n/a	n/a	n/a	n/a	n/a	n/a	–	n/a
Howard Paver	457,617	n/a	n/a	n/a	n/a	n/a	n/a	457,617	n/a
Carl Hughes	109,390	n/a	n/a	n/a	n/a	n/a	n/a	109,390	n/a
Farina Khan	211,235	n/a	n/a	n/a	n/a	n/a	n/a	211,235	n/a
Rani Koya	–	n/a	n/a	n/a	n/a	n/a	n/a	–	n/a
Liv Monica Stubholt	–	n/a	n/a	n/a	n/a	n/a	n/a	–	n/a
John Winterman	221,123	n/a	n/a	n/a	n/a	n/a	n/a	221,123	n/a

Notes:
1 Shares are valued by taking the average closing share price on each trading day of the period 1 October 2022 to 31 December 2022
2 As at 31 December 2022, 201,881,058 shares were held by Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu. 32,674,840 shares were also held by The Amjad and Suha Bseisu Foundation and the remaining 176,959 shares were held by Amjad Bseisu directly

Information not subject to audit

Total Shareholder Return and Chief Executive total remuneration

The following graph shows the Company's performance, measured by TSR, compared with the performance of the FTSE AIM All-Share Oil & Gas, also measured by TSR. The FTSE AIM All-Share Oil & Gas index has been selected for this comparison as it is the index whose constituents most closely reflect the size and activities of EnQuest.



Historical Chief Executive pay – single figure history

The table below sets out details of the Chief Executive's pay for 2022 and the previous nine years and the payout of incentive awards as a proportion of the maximum opportunity for each period. The Chief Executive's pay is calculated as per the 'single figure' of remuneration shown elsewhere in this report. During this time, Amjad Bseisu's total remuneration has been:

	2013	2014	2015	2016	2017	2018	2019	2020	2021	**2022**
'Single figure' of total remuneration (£'000s)	1,356	817	884	941	998	1,306	1,275	1,244	1,658[1]	**2,355**[2]
Annual bonus (as a % of maximum)	50	24	27	33	57	79	81	60	65	**74**
Long-term incentive vesting rate (as a % of maximum PSP)	67	79	77	56	11	56	50	64	44	**75**

Notes:
1 Confirmed outcome
2 Forecast outcome

CEO pay ratio 2022

The CEO pay ratio has been calculated using the 'Option A' methodology which compares the single total figure of remuneration ('STFR') of the CEO to UK employees for the 12 months ending 31 December 2022 on a full-time equivalent basis. This methodology has been chosen as it offers the most accurate and preferred approach for companies to apply based on institutional investor guidelines.

			CEO pay ratio		
Financial year	Methodology		P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2022	A	STFR	25:1	20:1	17:1
2021			15:1	13:1	11:1
2020			14:1	12:1	10:1
2019			23:1	14:1	11:1

Total remuneration is as defined in the single total figure of remuneration for Executive Directors. EnQuest has determined the P25, P50 and P75 individuals with reference to a ranking of total remuneration and by identifying those employees with the most typical pay structure of a UK-based employee. All employees have been included as at 31 December 2022, with remuneration of part-time employees and those employees on statutory leave included on a full-time equivalent basis. The increase in the CEO pay ratio in 2022 can be attributed to the higher value of the PSP at vest.

Data points reflect the 25th, 50th and 75th percentile of all UK employees' total remuneration as follows:

				UK STFR		
Financial year	Methodology		CEO	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2022	A	STFR	£2,355,344	£95,589	£115,917	£136,877
2021			£1,418,141	£92,108	£106,862	£128,860
2020			£1,118,892	£78,729	£92,508	£110,817
2019			£1,448,480	£62,717	£104,769	£129,558
2022	A	Base salary	£493,510	£71,268	£71,675	£71,966
2021			£479,136	£65,500	£69,960	£89,920
2020			£455,179	£52,346	£75,833	£70,874
2019			£469,741	£51,952	£76,503	£87,941

In setting both the CEO remuneration and the remuneration structures for the wider UK workforce, EnQuest has adopted a remuneration structure which includes the same elements for employees at all levels (base pay, benefits, pension, cash bonus and share awards). While all employees receive a base salary that is market competitive for their role and commensurate with our business size, differences exist in the quantum of variable pay that is achievable by the senior executive team and by individuals at senior management levels within the Group. At these levels, where there is a greater opportunity to influence Group performance, there is a greater emphasis on aligning executives with shareholders. Based on this distinction, the Group believes that the median pay ratio is consistent with the wider pay, reward and progression policies impacting UK employees.

Relative spend on pay

The table below shows the actual expenditure of the Group on total employee pay, as well as profitability and distributions to shareholders, and the change between the current and previous years:

	2021 $ million	**2022 $ million**
Adjusted EBITDA[1]	743	**979**
EnQuest net debt[1]	1,222	**717**
Distribution to shareholders	0	**0**
Total employee pay	103	**93**

Note:

1 Adjusted EBITDA has been chosen as an appropriate measure of return to shareholders and net debt as a measure of EnQuest's commitment to its lenders

Change in Directors' pay relative to the workforce

	Base salary/fees %			**Bonus %**			**Benefits %**		
	2021 to 2022	2020 to 2021	2019 to 2020	2021 to 2022	2020 to 2021	2019 to 2020	2021 to 2022	2020 to 2021	2019 to 2020
Amjad Bseisu	**3**	5	(3)	**17**	9	(25)	**0**	0	0
Salman Malik	**–**	–	–	**–**	–	–	**–**	–	–
Gareth Penny	**–**	–	–	**–**	–	–	**–**	–	–
Rani Koya	**–**	–		**–**	–	–	**–**	–	–
Martin Houston[1]	**32**	5	(5)	**–**	–	–	**–**	–	–
Howard Paver	**31**	14	27	**–**	–	–	**–**	–	–
Philip Holland[2]	**36**	5	(5)	**–**	–	–	**–**	–	–
Carl Hughes	**36**	5	(5)	**–**	–	–	**–**	–	–
Farina Khan	**42**	–	–	**–**	–	–	**–**	–	–
Liv Monica Stubholt[3]	**42**	–	–	**–**	–	–	**–**	–	–
John Winterman	**36**	5	(8)	**–**	–	–	**–**	–	–
UK employees (average)[4]	**3**	0	3	**(7)**	3	(21)	**0**	0	3

Notes:

UK employees have been chosen as the most appropriate comparator group as the majority of the EnQuest workforce is UK based and their pay structure is comparable to the Directors' pay based on annualised amounts paid in 2021 and 2022. Benefits include employer pension contribution and/or allowance

1 Martin Houston resigned as Non-Executive Chairman in 2022. His fees in 2022 include a fee as payment in lieu of notice
2 Phillip Holland resigned as a Director in 2022. His fees in 2022 were pro-rated
3 Liv Monica Stubholt was appointed as a Director in 2021. Her fees in 2021 were pro-rated
4 The vast majority of UK-based employees directly support the North Sea business and have a proportion of their bonus based on the performance of the business unit

Statement of implementation of the Remuneration Policy for the year ending 31 December 2023

Base salary and 2023 pay review

As stated in the annual statement to this report, the remuneration for the Executive Directors is geared towards variable pay linked to long-term performance targets, with base salaries currently set in relation to benchmarks for the energy industry and comparable sized companies. In the view of the Committee, it is therefore important to ensure that the base salaries of the Executive Directors are reviewed annually and that any increase reflects the change in scale and complexity of the role as the Group grows, as well as the performance of the Executive Director. The table below shows the changes applied to salaries for 2023.

Name	Salary for 2022 £	Salary for 2023 £	Increase %
Amjad Bseisu	493,500	513,300	4.0%
Salman Malik[1]	440,000	440,000	0.0%

Note:
1 The salary for Salman Malik in 2022 is shown as the annual rate from the appointment on 15 August 2022 and does not reflect the total base salary received during 2022

The average salary uplift for Group employees was 4.5%, although individual uplifts varied according to market position, and individual experience and performance.

Pension and other benefits

The Group will continue to pay a cash benefit in lieu of pension of the lesser of 10% of salary or £50,000 (the CEO will receive the pension benefit at the capped level). The Group will also continue to pay private medical insurance, life assurance and personal accident insurance, the costs of which are determined by third-party providers. The Company pays for international private medical insurance for Salman Malik and his family as part of the relocation arrangements made and to reflect the multi-country residence of his dependents.

Annual bonus

For the year ended 31 December 2023, the annual bonus opportunities for the CEO and CFO will continue to be 75% of salary at target and 125% of salary at maximum.

The annual bonus scheme for 2023 is structured as follows:
- Awards will be determined based on a balanced combination of financial and operational performance measures;
- Executive Directors (and other executive management) will have threshold, target and stretch performance levels attributed to key performance objectives;
- Executive Directors' bonuses will be determined predominantly by the performance of the Group;
- Each part of the bonus will represent a discrete element which will be added together to determine the performance award for the year; and
- Stretching targets will continue to apply to achieve maximum payout.

The 2023 metrics and weightings, which will determine the level of short-term incentive awards for the CEO and CFO, are set out below.

Group 2023 performance measures scorecard

Metric	Weighting
Production	25%
Expenditure	15%
ESG, culture and D&I	10%
Liquidity management	20%
Growth	30%

Notes:
Precise targets are commercially sensitive and are not being disclosed in advance at this time
Performance in HSEA is central to EnQuest's overall results. This category may be used as an overlay on overall Group performance

Maximum bonus will only be payable when performance significantly exceeds expectations. To the extent that the targets are no longer commercially sensitive, they will be disclosed in next year's report.

Any amount of bonus earned above 100% of salary will be deferred into EnQuest shares for two years, subject to continued employment.

Performance share awards

2023 PSP awards

After due consideration of Business performance in 2022 and the performance of the Executive Directors, as well as other factors, the Remuneration and Social Responsibility Committee decided to award a grant equal to 250% of salary to Amjad Bseisu and Salman Malik, to be awarded in April 2023. The Committee recognises the preference of some shareholders for an upfront reduction to award levels where there has been a fall in share price compared to the previous year's grant. However, the Committee believes that making this assessment at the end of the vesting period, once all relevant information is known and the impact of potential 'windfall gains' can be more readily quantified, is preferable.

Summary of 2022 PSP performance measures and targets
The PSP share awards granted in 2023 will have two performance metrics, both measured over a three-year financial period:
- 80% of the award relates to relative TSR against a comparator group of 20 oil and gas companies; and
- 20% relates to emission reduction over three years.

2023 PSP – schedule for 2026 vesting

Measure	Weighting	Threshold (25% vesting)	Maximum (100% vesting)
Relative TSR over the period 1 January 2023 to 31 December 2025	80.0%	50th percentile	75th percentile or higher
Emission reduction over the period 1 January 2023 to 31 December 2025	20.0%	10% reduction	12% reduction or more

2023 PSP award TSR comparator group

Africa Oil	Energean	Hurricane Energy	Maurel & Prom
Aker BP	Genel Energy	Ithaca	Okea
BW Energy	Gulf Keystone	Jadestone	Pharos Energy
Capricorn Energy	Harbour Energy	Kistos	Serica Energy
DNO	Hibiscus	Kosmos	Tullow Oil

Non-Executive Directors
The fees for the Non-Executive Directors with effect from 1 January 2023 are:

	Fee
Chairman	£200,000
Director	£60,000
Senior Independent Director	£10,000
Committee Chair	£10,000

External benchmarking of Non-Executive Directors is carried out on an annual basis. The decision was taken to keep fees for Non-Executive Directors at the current 2022 levels following a benchmark review.

Advisers to the Committee
Mercer Kepler provided advice to the Remuneration and Social Responsibility Committee until March 2022. Ellason LLP were appointed by the Committee following a competitive tender process and began providing advice to the Committee from August 2022.

The Committee satisfied itself that the advice given was objective and independent. Both Ellason LLP and Mercer Kepler are signatories to the Remuneration Consultants Group Code of Conduct, which sets out guidelines for managing conflicts of interest. Neither Mercer Kepler nor Ellason LLP provide any other services to the Group.

The fees paid to Mercer Kepler totalled £23,575 (excluding VAT), and fees paid to Ellason LLP in 2022 totalled £38,240 (excluding VAT). In both cases, the fees were charged on the basis of the number of hours worked.

Statement of voting at the Annual General Meeting
The table below summarises the voting at the AGM held on 17 June 2022 in respect of the Directors' Remuneration Report. The Remuneration Policy was last approved by shareholders at the 2021 AGM, receiving 95.35% support. The Group is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Directors' remuneration, the reasons for any such vote will be sought, and any actions in response will be detailed here.

	Number of votes cast for	Percentage of votes cast for	Number of votes cast against	Percentage of votes cast against	Total votes cast	Number of votes withheld
Remuneration Report (2022)	811,351,326	86.13%	130,652,955	13.87%	942,004,281	9,693,270

The Directors' Remuneration Report was approved by the Board and signed on its behalf by Howard Paver.

Howard Paver
Chair of the Remuneration and Social Responsibility Committee
4 April 2023

Safety, Sustainability and Risk Committee report

"EnQuest is actively driving decarbonisation and emission reductions in support of the United Nation's Sustainable Development Goals and the UK's net zero carbon emissions commitment."

Rani Koya
Chair of the Safety, Sustainability and Risk Committee

Dear shareholder

On behalf of the Board and my fellow Committee members, I am pleased to present EnQuest's Safety, Sustainability and Risk Committee report.

During 2022, recognising the increased focus on climate, the scope of the Committee has been broadened to cover Sustainability as well as the key areas of Safety and Risk. The Group has adopted the United Nations Sustainable Development Goal ('SDG') 12 target of "By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse" through its waste reduction activities.

The Committee reviewed the plans of the Group's Infrastructure and New Energy Business, both in its emission reduction objectives and longer-term renewable energy and decarbonisation opportunities, and see exciting and positive opportunities in this area for the Group.

The UK Government's North Sea Transition Deal ('NSTD') requires the industry to deliver material, progressive CO_2 equivalent reductions by 2025, 2027 and 2030, measured against a 2018 baseline. I am pleased to report the Group is well ahead of the 2025 and 2027 targets and on track to meet the required reduction by 2030. In addition, the Group will review the suitability of waste reduction as a Scope 3 emission measure thus allowing for further improvement in our emission reduction targets.

The health and safety of our personnel remain a key priority and throughout 2022 we continued to undertake detailed analysis of specific risk areas such that asset integrity and the safety of our personnel are not compromised.

We continued to progress the improvement actions identified by the 2021 asset integrity review. Engagement with the Health and Safety Executive ('HSE') remained positive throughout the year and the three HSE Improvement Notices ('INs') received in 2021 were all successfully closed out ahead of the agreed deadline. The North Sea Transition Authority ('NSTA') issued an IN in November in relation to the isolation arrangements at Magnus. While receiving the IN is disappointing, it represents an opportunity for the Group to identify and drive further improvements and we are confident that this will be closed out ahead of the deadline.

There has been some deterioration in HSEA performance, particularly in lagging indicators, but the Committee is satisfied that necessary steps have been taken to improve the performance of the Group in this critical area. Reflecting the desire for improved performance, the Group developed an integrated HSEA Continuous Improvement Plan ('CIP') to drive enhanced performance in 2023 and beyond.

The Group has developed a robust Risk Management Framework, which the Committee reviews regularly, incorporating a wide range of risks in a complex and rapidly changing landscape for the sector. The Committee has reviewed these areas and plans for 2023 incorporate enhancement in the Group's activity on Safety, Sustainability and Risk in support of it's strategic purpose to provide creative solutions through the energy transition.

Rani Koya
Chair of the Safety, Sustainability and Risk Committee
4 April 2023

Safety, Sustainability and Risk Committee membership

Membership of the Committee and attendance at the three meetings held during 2022 is provided in the table below:

Member	Date appointed Committee member	Attendance at meetings during the year
Philip Holland[1]	25 January 2016	2/2
Rani Koya[2]	1 September 2022	1/1
Carl Hughes	1 January 2017	3/3
Farina Khan[3]	1 November 2020	1/1
Liv Monica Stubholt	15 February 2021	3/3
Joh Winterman	9 December 2020	3/3

Notes:
1 Philip Holland stepped down from the Board of Directors and as Chair of the Safety, Sustainability and Risk Committee following EnQuest's Annual General Meeting on 17 June 2022
2 Rani Koya joined the Safety, Sustainability and Risk Committee and assumed the Chair position on 1 September 2022
3 Farina Khan stepped down from her position on the Committee on 2 February 2022

Safety, Sustainability and Risk Committee responsibilities

The main responsibilities of the Committee are to:

- Undertake in-depth analysis of specific risks, including emerging risks, in relation to the Group and consider existing and potential new controls;
- Support the implementation and progression of the Group's Risk Management Framework;
- Review the Group's HSEA performance and the effectiveness of its policies and guidelines in managing HSEA risks and reporting;
- Conduct detailed reviews of key non-financial risks not reviewed within the Audit Committee;
- Assess the Group's exposure to managing risks from 'climate change' (including assessing emissions updates) and review actions to mitigate these risks in line with its assessment of other risks;
- Review and monitor the Group's decarbonisation activities, including reviewing the adequacy of the associated framework and its alignment with the evolving regulatory environment (for example, around those being developed by the ISSB and UK TPT); and
- Review targets and milestones for the achievement of decarbonisation objectives.

The Committee's full terms of reference can be found on the Group's website, www.enquest.com, under Investors/ Corporate Governance.

Committee activities during the year

The Committee:

- Considered the impact of HSEA processes and culture and the Group's Risk Management Framework;
- Continued to refine the Group's Risk Management Framework and continuous improvement planning;
- Reviewed the Group Risk Register, assurance map and Risk Report (focusing on the most critical risks and emerging and changing risk profiles. This included obtaining assurance that the risks associated with climate change are appropriately assessed and incorporated within relevant risk areas);
- Undertook in-depth reviews of 'financial risks', 'compliance with regulation, legislation and ethical conduct' and 'climate change risks', in each case identifying improvements to certain controls;
- Received routine updates on HSEA (including reviewing the Group's performance along with ongoing and planned HSEA activities), which continues to be a key focus area for the Committee; and
- Received routine updates on the Group's emission reduction targets and strategy for further enhancing its contributions to SDG 12.

For further information on these risks, please see the Risks and uncertainties section on pages 40 to 51.

Priorities for the coming year

In 2023, the Committee will continue to focus on detailed analysis of key risk areas, including those relating to the Group's activity on Safety, Sustainability and Risk in support of its strategic purpose to provide creative solutions through the energy transition.

Technical and Reserves Committee report

"The Committee remains focused on providing technical expertise to the Board to assist in its decisions."

John Winterman
Chair of the Technical and Reserves Committee

Dear fellow shareholder

On behalf of the Board and my fellow Committee members, I am pleased to present the Technical and Reserves Committee report.

The Committee was established to support the Board and management in relation to all technical matters, including the business plan, major development projects, acquisitions, and the review of reserves. During the year, the Committee undertook a trip to the Aberdeen office to meet with technical staff and receive presentations on subsurface, decommissioning, operations, production, supply chain and wells. We were pleased to note the quality of staff and to observe the positive morale at the site.

While there, we held a dinner with mainly new employees and a breakfast with high-potential employees to listen to their views.

Towards the end of the year, the Committee carried out a post-investment review of the Golden Eagle acquisition, a transaction that completed in 2021. Each major investment decision is reviewed by the Committee 12–18 months after implementation or acquisition to both assess the project and to note and share key learnings.

The Committee reviewed the year-end reserves and recommended to the Board a move to reporting Malaysia 2P reserves on a working interest basis, with entitlement reserves reported as a secondary datapoint. This brings us into line with our industry peer group.

From time to time the Committee reviews business development opportunities which, if appropriate, will be recommended to the Board.

Both Martin Houston and Philip Holland stood down from the Committee on their respective departures from the Board. On behalf of the Committee, I thank them both for their valued contribution. As reported last year, Rani Koya joined the Committee on her appointment to the Board. She brings with her a wealth of technical expertise and experience to support the Committee's work.

John Winterman
Chairman of the Technical and Reserves Committee
4 April 2022

Technical and Reserves Committee responsibilities

The main responsibility of the Committee is to provide the Board with additional technical insight when making Board decisions. The Committee's full terms of reference can be found on the Group's website, www.enquest.com, under Corporate Governance.

Technical and Reserves Committee membership

Member	Date appointed Committee member	Attendance at meetings during the year
John Winterman	15 October 2019	3/3
Philip Holland[1]	15 October 2019	2/2
Martin Houston[2]	15 October 2019	2/2
Howard Paver	15 October 2019	3/3
Rani Koya	1 January 2022	3/3

Notes:
1 Philip Holland stepped down from the Board as Non-Executive Director on 17 June 2022
2 Martin Houston stepped down from the Board as Chairman and Non-Executive Director on 6 December 2022

Committee activities during the year

- Visit to Aberdeen to meet technical employees
- Review of Malaysia drilling and workover readiness
- Review of 2021 and 2022 year-end reserves and resources
- Review of business development opportunities
- Review of technical assumptions underlying the 2023 business plan
- Update on Golden Eagle Area Development

Priorities for the coming year

In 2023, the Committee will continue to focus on supporting the business, in particular when assessing new opportunities, reserve and resource maturation and asset integrity management across its assets. Deep dives, with presentations by asset personnel, will remain a key part of this process.

"The Directors of EnQuest present their Annual Report together with the Group and Company audited financial statements for the year ended 31 December 2022."

Chris Sawyer
Company Secretary

Directors

The Directors' biographical details are set out on pages 66 and 67. Gareth Penny and Salman Malik will stand for election at the 2023 Annual General Meeting ('AGM') on 5 June 2023, with the other Directors offering themselves for re-election.

Directors' indemnity provisions

Under the Company's Articles, the Directors of the Company may be indemnified out of the assets of the Company against certain costs, charges, expenses, losses or liabilities which may be sustained or incurred in or about the execution of their duties. Such qualifying third-party indemnity provision remains in force as at the date of approving the Directors' report. Such indemnities are in a form consistent with the limitations imposed by law.

Substantial interests in shares

The table below shows the holdings in the Company's issued share capital, which had been notified to the Company in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules ('DTR'):

Name	Number of Ordinary shares held at 31 December 2022	% of issued share capital held at 31 December 2022[2]	Number of Ordinary shares held as at 4 April 2023	% of issued share capital held as at 4 April 2023
Bseisu consolidated interests[1]	234,732,857	12.45	234,732,857	12.45
Aberforth Partners LLP	153,086,238	8.12	154,851,175	8.21
Schroders Plc	107,791,256	5.72	107,599,635	5.71
Baillie Gifford & Co Ltd	97,461,903	5.17	92,908,242	4.93
Hargreaves Lansdown Asset Management	80,680,736	4.28	86,537,010	4.59
Cobas Asset Management	73,527,084	3.90	78,398,386	4.16
Dimensional Fund Advisors	70,851,770	3.76	71,709,307	3.80
BlackRock Inc	69,246,326	3.67	73,099,461	3.88
Avanza Fonder AB	64,018,826	3.39	67,947,513	3.60

Notes:
1 201,881,058 shares are held by Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu. 32,674,840 shares are also held by The Amjad and Suha Bseisu Foundation and 176,959 shares are held directly by Amjad Bseisu
2 Rounding applies

Directors' interests
The interests of the Directors in the Ordinary shares of the Company, which are unchanged between 31 December 2022 and 4 April 2023, are shown below:

Name	At 31 December 2022	**At 4 April 2023**
Amjad Bseisu[1]	234,732,857	**234,732,857**
Gareth Penny	–	**-**
Carl Hughes	109,390	**109,390**
Farina Khan	211,235	**211,235**
Rani Koya	-	**-**
Salman Malik	565,705	**565,705**
Howard Paver	457,617	**457,617**
Liv Monica Stubholt	-	**-**
John Winterman	221,123	**221,123**

Note:
1 201,881,058 shares are held by Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu. 32,674,840 shares are also held by The Amjad and Suha Bseisu Foundation and 176,959 shares are held directly by Amjad Bseisu

Share capital
The Company's share capital during the year consisted of Ordinary shares of £0.05 each ('Ordinary shares'). Each Ordinary share carries one vote. Throughout 2022, there were 1,885,924,339 Ordinary shares in issue. No further shares have been issued subsequent to the year end. All of the Company's issued Ordinary shares have been fully paid up. Further information regarding the rights attaching to the Company's Ordinary shares can be found in note 20 to the financial statements on page 153. No person has any special rights with respect to control of the Company.

The Company did not purchase any of its own shares during 2022 or up to and including 4 April 2023, being the date of this Directors' report. At the 2023 AGM, shareholders will be asked to renew authorities relating to the issue and purchase of Company shares. Details of the resolutions will be included in the Notice of AGM, which can be found on the Company's website.

Company share schemes
The trustees of the Employee Benefit Trust ('EBT') did not purchase any Ordinary shares in the Company during 2022. At year end, the EBT held 1.36% of the issued share capital of the Company (2021: 2.14%) for the benefit of employees and their dependants. The voting rights in relation to these shares are exercised by the trustees.

Employee engagement
EnQuest operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. Employees are informed about significant business issues and other matters of concern via regular business briefings, country-level Town Hall meetings, Global Town Hall meetings (whereby staff in all geographic locations are invited to attend), email and other electronic communications, particularly the Company's intranet and internal 'Yammer' channel.

Following the lifting of COVID-19 restrictions, face-to-face briefing meetings have resumed along with the use of virtual communications to ensure all employees have the opportunity to participate. Appropriate consultations take place with employees when business change is undertaken.

A Global Employee Forum, to allow for direct employee engagement with the Board of Directors, was established in early 2019 in line with the UK Corporate Governance Code (the 'Code'). During the year, the Board considered the continued effectiveness of the Global Employee Forum and concluded that its primary function had been for the raising of non-strategic issues. As such, the Board agreed that the Forum should continue under the direction of the Director of People, Culture and Diversity and without the participation of the two Non-Executive Directors who are the designated Directors for workplace engagement. These designated Directors now have the responsibility to ensure that a broader range of activities are undertaken such that the Board gets a clear understanding of the views of employees in accordance with the requirement of the Code.

EnQuest offers employees the opportunity to participate directly in the success of the Company through participation in share schemes, such as the Save As You Earn ('SAYE') Share Scheme. 70% of eligible employees currently participate in SAYE. Eligibility for participation in other share schemes depends on a number of factors, such as seniority.

Articles of Association
The Company's Articles of Association may only be amended by special resolution at a General Meeting of shareholders. The Company's Articles, found on the Company's website at www.enquest.com/corporate-governance, contain provisions on the appointment, retirement and removal of Directors, along with their powers and duties. While there are no specific restrictions, the transfer of shares in the Company is also provided for in the Articles.

Annual General Meeting
The Company's AGM will be held at Ashurst LLP, London Fruit & Wool Exchange, 1 Duval Square, London, E1 6PW on 5 June 2023. Formal notice of the AGM, including details of special business, is set out in the Notice of AGM which accompanies this Annual Report. It will be available on the Group's website at www.enquest.com/shareholder-information/annual-general-meetings.

Registrars
In connection with the Ordinary shares traded on the London Stock Exchange, the Company's share registrar is Link Asset Services. For the Ordinary shares traded on NASDAQ OMX Stockholm, the Company's share registrar is Euroclear Sweden. Full details of both registrars can be found in the Company information section on the inside back cover.

Political donations
At the 2022 AGM, a resolution was passed giving the Company authority to make political donations and/or incur political expenditure as defined in Sections 362 to 379 of the Companies Act 2006. Although the Company does not make and does not intend to make political donations or to incur political expenditure, the legislation is very broadly drafted and may catch such activities as funding seminars or functions to which politicians are invited, or may extend to bodies concerned with policy review, law reform and representation of the business community that the Company and its subsidiaries might wish to support.

No political donations were made in 2022 by the Company, or any of its subsidiaries.

Dividends
The Company has not declared or paid any dividends since incorporation and does not plan to pay dividends in the immediate future. However, the Board anticipates reviewing the policy when appropriate, the timing of which will be subject to the earnings and financial condition of the Company meeting the conditions for dividend payments which the Company has agreed with its lenders and such other factors as the Board of Directors of the Company consider appropriate, including the Company's expected future cash flows.

Change of control agreements
The Company (or other members of the Group) are not party to any significant agreements which take effect, alter or terminate upon a change of control of the Company following a takeover bid, except in respect of:

(a) the reserve based lending facility, which includes provisions that, upon a change of control, permit each lender not to provide certain funding under that facility and to cancel its commitment to provide that facility and to require repayment of the credit which may already have been advanced to the Company and the other borrowers under the facility;

(b) the working capital facility, originally dated 1 December 2017, in respect of the operation of the Sullom Voe Terminal ('SVT'), which includes provisions that upon a change of control, permit the lender not to provide certain funding under that facility and to cancel its commitment to provide that facility and to require repayment of the credit which may already have been advanced to the borrower (EnQuest Heather Limited) under the facility;

(c) the deeds of indemnity, originally dated 10 June 2021 and 28 February 2023, pursuant to which the sureties have agreed to consider requests to issue, procure or participate in surety bonds, each include provisions that, upon a change of control, permit each surety to require the indemnitors to provide cash cover in respect of the liability assumed by the sureties (and costs and fees of the sureties) in relation to the Company and the other indemnitors under the deeds;

(d) the Company's Euro Medium Term Note Programme (under which the Company has in issue Euro Medium Term Notes originally due in 2022, which was subsequently automatically extended to 15 October 2023, with an aggregate nominal amount of approximately £111.3 million, including capitalised interest, at the date of this report), pursuant to which, if there is a change of control of the Company, a holder of a note has the option to require the Company to redeem such note at its principal amount, together with any accrued interest thereon; and

(e) under the indenture governing the Company's high yield notes originally due in 2027, which at the date of this report have an aggregate nominal amount of approximately $305.0 million, if the Company undergoes certain events defined as constituting a change of control, each holder of the high yield notes may require the Company to repurchase all or a portion of its notes at 101% of their principal amount, plus any accrued and unpaid interest.

Directors' statement of disclosure of information to auditor
The Directors in office at the date of the approval of this Directors' report have each confirmed that, so far as they are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each of the Directors has taken all the steps he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Responsibility statements under the DTR
The Directors who held office at the date of the approval of the Directors' report confirm that, to the best of their knowledge, the financial statements, prepared in accordance with UK-adopted IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and the Directors' report, Operating review and Financial review include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Independent auditor
Having reviewed the independence and effectiveness of the auditor, the Audit Committee has recommended to the Board that the existing auditor, Deloitte, be reappointed. Deloitte has expressed its willingness to continue as auditor. An ordinary resolution to reappoint Deloitte as auditor of the Company and authorising the Directors to set its remuneration will be proposed at the forthcoming AGM. Information on the Company's policy on audit tendering and rotation is on pages 83 to 84.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report on pages 02 to 64. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are described in the Financial review on pages 20 to 26. The Board's assessment of going concern and viability for the Group is set out on pages 25 and 26. In addition, note 27 to the financial statements on page 161 includes: the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Greenhouse gas ('GHG') emissions

EnQuest has reported on all of the emission sources within its operational control 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. These sources fall within the EnQuest consolidated financial statements. EnQuest has used the principles of the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), ISO 14064-1 and data gathered to fulfil the requirements under the 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance March 2019'. The Streamlined Energy & Carbon Reporting ('SECR') report includes assets which are in the operational control of EnQuest.

Emissions		2022 SECR	2021[5, 6] SECR	2018 baseline
	Total emissions tCO_2e[2]	1,051,869	1,164,138	1,704,893
Scope 1	Extraction emissions tCO_2e[2]	949,275	1,065,443	1,562,507
Scope 2	Extraction emissions tCO_2e[2]	796	787	1,515
	Extraction intensity ratio $kgCO_2e$/Boe[2]	45.01	49.08	47.54
Scope 1	Terminal (SVT) emissions tCO_2e[2, 3]	29,794	29,296	54,859
Scope 2	Terminal (SVT) emissions tCO_2e[2, 3]	72,003	68,612	86,011
	Terminal (SVT) intensity ratio $kgCO_2e$/Boe[2] throughput[3]	2.28	2.09	4.65

Energy Consumption[4]		2022 SECR	2021 SECR
	Total kWh	4,455,083,433	4,944,948,025
Scope 1	Extraction kWh	3,924,133,320	4,415,389,182
Scope 2	Extraction kWh	2,548,727	2,446,472
	Extraction intensity ratio kWh/Boe[2]	186.04	203.37
Scope 1	Terminal (SVT) kWh[2, 3]	116,158,249	143,280,355
Scope 2	Terminal (SVT) kWh[2, 3]	412,243,137	383,832,016
	Terminal (SVT) intensity ratio kWh/Boe[2] throughput[3]	11.84	11.24

UK & Overseas Breakdown		2022 SECR (operational control) scope	2021 SECR (operational control) scope
Scope 1	UK onshore tCO_2e	29,823	29,318
	UK offshore tCO_2e	637,070	634,678
	Non-UK tCO_2e	312,176	430,743
Scope 2	UK onshore tCO_2e	72,384	69,019
	UK offshore tCO_2e	0	0
	Non-UK tCO_2e	416	380
Scope 1	UK onshore kWh	116,302,182	143,390,072
	UK offshore kWh	2,599,376,955	2,578,121,049
	Non-UK kWh	1,324,612,431	1,837,158,416
Scope 2	UK onshore kWh	414,208,783	385,749,524
	UK offshore kWh	0	0
	Non-UK kWh	583,081	528,964

Notes:

1 When it is considered that the portfolio of assets under a company's operational control has changed significantly, the baseline, which is based on verified scope data, is recalculated to an appropriate comparative period for which good data is available. As such, the baseline is currently 2018

2 tCO_2e = tonnes of CO_2 equivalent. $kgCO_2e$ = kilogrammes of CO_2 equivalent. Boe = barrel of oil equivalent. EnQuest is required to report the aggregate gross (100%) emissions for those assets over which it has operational control. As such, the extraction intensity ratio is calculated by taking the aggregate gross (100%) reported Scope 1 and 2 $kgCO_2e$ from those assets divided by the aggregate gross (100%) hydrocarbon production from the same assets. The throughput ratio is calculated by taking the aggregate gross (100%) reported Scope 1 and 2 $kgCO_2e$ from SVT divided by the aggregate total throughput at the terminal

3 Note on uncertainty: The uncertainty for total emissions within the verified scope is calculated as 3.01%. SVT emissions in isolation are not within 5% due to the steam and electricity meters for SVT not having supportable uncertainties

4 Kilo-watt hour (kWh) data is reported on a net calorific value basis throughout

5 PM8/Seligi (Malaysia) fuel gas/flare calculation: An improved accuracy calculation/methodology has been applied to 2018 to 2022 data to ensure accurate and transparent comparatives. Some activity data anomalies were also identified and have been corrected. The change in total reported emissions for 2018–2021 inclusive is 5% or less

6 2022 is the first year that the PM8/Seligi (Malaysian) asset has been included within the verified scope as supportable metering uncertainty documentation has become available for 2022. The 2021 and 2018 baseline figures in the tables above are quoted for all assets in the operational control of EnQuest but it is declared for transparency that the PM8/Seligi asset contribution was not verified for 2021 or the 2018 baseline

Energy efficiency strategy

A number of emission reduction opportunities have previously been identified via energy saving workshops and developed as projects. These include compressor remapping on Kittiwake, and the commissioning of Waste Heat Recovery Units on Kraken, both completed during 2020 with ongoing reductions achieved in 2021 and 2022. It is recognised that improved environmental performance is a continuous process, and during 2021, the Group established its Infrastructure and New Energy business with overall responsibility for delivering the Group's emission reduction and other decarbonisation ambitions. A number of projects, which range from minor modifications, such as "right-sizing" export pumps, to material technical alterations, such as flaring reconfiguration, are currently being assessed against a range of criteria. Additional workshops will be scheduled during 2023 to ensure the correct projects continue to be identified, shortlisted and progressed to realise further emission reduction opportunities across the Group's portfolio of assets. In addition, The Group's Infrastructure and New Energy business is developing plans for a multi-year programme of projects which will right-size the SVT facilities for expected future throughput and prepare the way for the next phase of SVT operations, which includes a potential renewable energy power solution for the terminal. This programme of work will ensure EnQuest reduces the emissions footprint of the site.

SECR (operational control) scope

EnQuest has a number of financial interests (for example, joint ventures and joint investments), as covered in this Annual Report for which it does not have operational control. In line with SECR and ISO 14064-1 guidance, only those assets where EnQuest has operational control greater than 50% are captured within the SECR reporting boundary. Where EnQuest has less than 50% operational control of an asset, it is not included within the SECR reporting boundary. Hence, the SECR operational control boundary is different to EnQuest's financial boundary. In line with SECR guidance, this is fully disclosed.

ISO-14064 verified scope

EnQuest has voluntarily opted to have emissions reported within the SECR scope verified to the internationally recognised ISO 14064-1 standard by a UKAS accredited verification body. This increases the robustness of the reported emissions and provides the reader with more confidence in the stated figures. This goes beyond the minimum requirements of the SECR guidance.

Further disclosures

The Company has set out disclosures in the Strategic report in accordance with Section 414C(11) of the Companies Act (2006) – information required by Schedule 7 to the Accounting Regulations to be contained in the Directors' report. These disclosures and any further disclosure requirements as required by the Companies Act 2006, Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, The Companies (Miscellaneous Reporting) Regulations 2018 and the FCA's Listing Rules and DTR are found on the following pages of the Company's Annual Report and are incorporated into the Directors' report by reference:

Disclosure	Page number
Future developments	6 to 17
Acquisitions and disposals	8, 11 and 20
Fair treatment of disabled employees	38
Anti-slavery disclosure	52
Corporate governance statement	70 to 74
Gender diversity	38 and 77
Financial risk and financial instruments	161
Important events subsequent to year end	n/a
Branches outside of the UK	165
s.172 statement and stakeholder engagement	62 to 64
Research and development	n/a
Related party transactions	160

The Directors' report was approved by the Board and signed on its behalf by the Company Secretary on 4 April 2023.

Chris Sawyer
Company Secretary

Statement of Directors' responsibilities for the Group financial statements

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare Group financial statements for each financial year. Under that law, the Directors are required to prepare Group financial statements under International Financial Reporting Standards ('IFRS') as adopted by the UK.

Under Company law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing the Group financial statements, International Accounting Standard 1 ('IAS') requires that the Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- Make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Strategic Report, Directors' report, the Directors' Remuneration Report and the Corporate governance statement in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

Fair, balanced and understandable

In accordance with the principles of the UK Corporate Governance Code, the Directors are responsible for establishing arrangements to evaluate whether the information presented in the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, and making a statement to that effect. This statement is set out on page 70 of the Annual Report.

Independent auditor's report
to the members of EnQuest PLC

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of EnQuest PLC (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "*Reduced Disclosure Framework*"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the Group Income Statement;
- the Group and Company Balance Sheets;
- the Group and Company Statement of Changes in Equity;
- the Group Statement of Cash Flows;
- the related notes 1 to 29 to the Group financial statements; and
- the related notes 1 to 11 to the Company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note 5g to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of oil and gas related assets and liabilities • Valuation of decommissioning liability Within this report, key audit matters are identified as follows: (!) Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was $30m which was determined on the basis of 3% of adjusted EBITDA (earnings before interest, tax, depreciation, amortisation, remeasurements and exceptional items).
Scoping	EnQuest PLC has two significant operating segments, being the North Sea and Malaysia. They accounted for 100% of the group's revenue, 100% of its adjusted EBITDA and 100% of its net assets.
Significant changes in our approach	There were no significant changes in our approach compared to the prior year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- we obtained an understanding of the relevant controls relating to management's assessment of going concern;
- we have tested the clerical accuracy of the model used to prepare the going concern forecasts;
- we have assessed the historical accuracy of forecasts prepared by management;
- we have evaluated the consistency of key inputs relating to future costs, hedging, production and working capital to other financial and operational information obtained during our audit;
- we have challenged management as to the reasonableness of commodity pricing assumptions applied against recent market prices;
- we have agreed the available facilities to underlying agreements and external confirmation from debt providers and reperformed covenant calculation forecasts;
- we have considered the reduction to the borrowing base of the reserve based lending facility as a result of changes to the Energy Profits Levy;
- we have assessed the reasonableness of management's sensitivity analysis on the forecast, including the downside scenarios such as lower oil prices and reduced production, and considered the mitigating actions highlighted by management in the event that they were required; and
- we have assessed the adequacy of disclosures made in the Annual Report and Accounts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of oil and gas related assets and liabilities

Key audit matter description

We identified a key audit matter in relation to the valuation of the group's oil and gas related assets and liabilities. This relates in particular to the significant assumptions and estimates, including commodity prices and discount rate, that impact the forecast future cash flows used for valuation purposes. The following areas are part of this key audit matter:

- Impairment assessment of oil and gas assets;
- Impairment assessment of goodwill;
- Valuation of Magnus contingent consideration;
- Impairment assessment of the parent company investment; and
- Valuation of the deferred tax asset.

Management performed an impairment assessment for oil and gas assets and goodwill carrying value, by reference to IAS36 Impairment of Assets. As at 31 December 2022, the net book value of oil and gas assets was $2,037 million (2021: $2,347 million) and management have recorded a pre-tax impairment of $81 million (2021: $40 million impairment reversal) against certain oil and gas assets, including related right of use assets, as disclosed in note 10.

As at 31 December 2022, the net book value of goodwill was $134 million (2021: $134 million). No goodwill impairment charge has been recorded in 2022 (2021: nil), as disclosed in note 11.

The valuation of Magnus contingent consideration was $589 million (2021: $366 million) as at 31 December 2022, based on the fair value of the future cash flows for the Magnus oil and gas asset, as disclosed in note 22. This includes the Magnus decommissioning-linked liability.

Management also performed an assessment of the carrying values of the parent company's investment in subsidiaries by reference to IAS 36 Impairment of Assets and IFRS 9 Financial Instruments. As at 31 December 2022, the net book value of investments recognised in the parent company balance sheet was $370 million (2021: $397 million) and management have recorded an impairment of $31 million (2021: $319 million impairment reversal), as disclosed in note 3 to the parent company financial statements.

As at 31 December 2022, a deferred tax asset of $706m (2021: $703m) was recognised, based on the expected utilisation of historical tax losses, underpinned by forecasts of future profitability. As a result of the Energy Profits Levy an initial deferred tax liability of $178m has been recognised for the first time.

The oil and gas assets are reviewed for indicators of impairment, tested for impairment where indicators are identified and then subsequently valued at their recoverable amounts. This also applies to the value of the investment in subsidiaries recognised in the parent company balance sheet, which is assessed for impairment based on the valuation of the underlying oil and gas assets. Goodwill is required to be tested for impairment at least annually. Contingent consideration constitutes a financial liability and is therefore recorded at fair value. Further details are included in notes 2, 10, 11 and 22 to the group financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available and is measured on an undiscounted basis using tax rates that have been substantively enacted.

The recoverable amounts of oil and gas assets and goodwill are subject to significant estimation uncertainty, as set out below and further disclosed in note 2. Consequently, they represent a high risk of impairment charge or reversal. There is a risk that these oil and gas assets and goodwill are not recoverable, or that reversal of previous impairments of oil and gas assets is required. The impairment charge recorded in the year on oil and gas assets was primarily because of a the introduction of the UK Energy Profits Levy, changes in the asset production profiles, and a higher discount rate, partially offset by the group's higher future commodity price assumptions. There was no impairment recognised on goodwill as the recoverable amount of estimated North Sea future cash flows was higher than the related book value, including the carrying value of goodwill.

The key assumptions and judgements underpinning the impairment assessments include:

- forecast future commodity prices, including the potential impact of climate change on those prices;
- forecast future production; and
- determining appropriate discount rates.

The group's accounting policies are detailed in notes 2, 10 and 11, these notes also include details of the sensitivity to changes in assumptions.

Given the interrelated nature of the key areas noted above, management have applied consistent assumptions across all of these valuations where appropriate.

The group's Audit Committee has considered this key audit matter in their Audit Committee Report for the year ended 31 December 2022 on pages 81 and 82.

How the scope of our audit responded to the key audit matter	**Procedures on the overall impairment review, Magnus contingent consideration valuation and valuation of the group's deferred tax asset** • we have understood management's process for identifying indicators of impairment and for performing their impairment assessment and related valuations; • we obtained an understanding of the relevant controls and then evaluated the associated design and implementation of such controls relating to the impairment assumptions, the Magnus contingent consideration modelling, deferred tax asset modelling and reviews; • we evaluated and challenged the key assumptions and inputs into the impairment and valuation models, which included performing sensitivity analysis, to evaluate the impact of selecting alternative assumptions; • we evaluated the reasonableness and supportability of current year changes to the key assumptions; • we worked with our modelling specialists to evaluate the arithmetical accuracy of the impairment and valuation models. We recalculated the impairment charges and headroom, as well as valuation changes, and agreed these to financial records; • we challenged management's determination of oil and gas cash generating units and considered whether there was any contradictory evidence; • we evaluated the impairment and valuation judgements taken, with reference to our assessment of the key assumptions as outlined above and the outcome of the sensitivities performed; and • we evaluated and challenged management's disclosures including in relation to the sensitivity on oil and gas assets and goodwill, Magnus contingent consideration and deferred tax assets. In particular we challenged oil and gas price assumptions, including reduced demand scenarios, whether due to climate change or other reasons. **Procedures relating to oil and gas prices** • we independently developed a reasonable range of forecasts based on external data, against which we compared the group's future oil and gas price assumptions in order to challenge whether they are reasonable; • in developing this range we obtained a variety of reputable third party forecasts, peer information and market data; • we performed sensitivity analysis on the pricing assumptions to determine the impact on the valuations and related changes arising from reasonably possible changes in the assumption; and • in challenging management's price assumptions, we considered the extent to which they, and the forecast pricing scenarios obtained from third parties, reflect the impact of lower oil and gas demand due to climate change. **Procedures relating to forecast future cash flows and reserves estimates** • we assessed whether forecast cash flows were consistent with Board approved forecasts, and analysed reasonably possible downside sensitivities; • with involvement from our petroleum engineering experts, we evaluated production profiles by reference to external reserve estimates and agreed these to the cash flow forecast assumptions; • we compared hydrocarbon production forecasts used in impairment tests to estimates and reports and our understanding of the life of fields; • working with our petroleum engineering specialists, we agreed estimates of oil and gas reserves to third party reserve reports, assessing the competence, objectivity and capability of those third-party experts; and • we challenged and evaluated the appropriateness of the operating and capital cost assumptions within the model.

5.1. Valuation of oil and gas related assets and liabilities continued

How the scope of our audit responded to the key audit matter continued

Procedures relating to the discount rate
- with input from our valuation specialists, we independently evaluated the group's discount rates used in impairment tests, valuations and cash flow analyses; and
- we assessed whether country risks and tax adjustments were appropriately reflected in the group's discount rates.

Procedures relating to the impairment of parent company investments
- we evaluated the methodology applied in reviewing the investments for impairment with reference to the requirements of IAS 36 *Impairment of Assets*;
- we challenged the key assumptions within management's cash flow forecasts as described in this key audit matter;
- we tested the mechanical accuracy of the impairment model; and
- we evaluated the adequacy of the parent company's disclosures regarding the investment impairment in note 3 of the financial statements.

Procedures relating to the carrying value of the deferred tax asset
- we evaluated the methodology applied in calculating the group's deferred tax assets and liabilities; with reference to IAS 12 *Income Taxes*
- we agreed the deferred tax balances to their corresponding assets and liabilities on the group's balance sheet, applying the relevant tax rates, including the application of the Energy Profits Levy;
- we agreed the inputs used in the group's calculations of tax losses to the group's cash flow forecasts used for the purposes of impairment testing, as discussed further within this key audit matter; and
- we assessed the appropriateness of the carrying value of the closing deferred tax asset.

Key observations
- The group's future commodity price assumptions are within our acceptable range for all periods;
- The group's impairment discount rate is within the acceptable range estimated by our internal valuation specialists;
- From the work performed, we are satisfied that the impairment charge recorded and the carrying value of the investments in subsidiaries are appropriate;
- The carrying value of the Magnus contingent consideration is reasonable. The significant assumptions and cash flows are consistent with the impairment model;
- The group's discount rate used to discount the Magnus contingent consideration is reasonable and in line with the requirement of IFRS 13 *Fair value measurement*;
- The deferred tax asset recognition is appropriate and the carrying value is a reasonable estimate; and
- We are satisfied that the group's impairments are appropriately estimated in accordance with the requirements of IAS 36 *Impairment of Assets*, and the carrying value of the Magnus contingent consideration and deferred tax assets are appropriate.

5.2. Valuation of decommissioning liability

Key audit matter description

The decommissioning provision at 31 December 2022 was $724 million (2021: $880 million). The provision represents the present value of decommissioning costs which are expected to be incurred up to 2048, assuming no further development on the group's assets. Further details on the key sources of estimation uncertainty underpinning the valuation of decommissioning provisions can be found in note 2. Details on the sensitivity to changes in key assumptions such as discount rates are disclosed in note 2.

Decommissioning liabilities are inherently judgemental areas, in particular in relation to cost estimates , which can also be impacted by changes in climate related goals. The key assumptions and judgements underpinning the provision include:
- cessation of production dates;
- post production cessation operating cost estimates;
- rates and norms assumptions;
- discount rate; and
- inflation rate.

The two key management estimates that have an increased likelihood of resulting in a material misstatement within the estimation are:
- internal well cost estimates (rig services, vessels, onshore time-writing costs) included in the decommissioning model; and
- internal cost reduction factors applied to the gross decommissioning cost estimates.

The Group's Audit Committee has considered this key audit matter in their Audit Committee Report for the year ended 31 December 2022 on page 82.

How the scope of our audit responded to the key audit matter	**Procedures relating to internal control** • we assessed management's decommissioning processes, and the oversight and governance of those processes in relation to decommissioning; and • we obtained an understanding of the relevant controls and then evaluated the associated design and implementation of such controls relating to the decommissioning provision. **General procedures relating to the decommissioning model** • we held meetings with the group's internal experts responsible for determining the decommissioning estimates to understand the key changes in underlying assumptions and methodology applied; • we assessed the technical competence, objectivity and capability of management's internal and external experts; • we assessed the decommissioning provision for compliance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; • we worked with our modelling specialists to evaluate the arithmetical accuracy of the decommissioning model. We recalculated the closing decommissioning provision and agreed it to the group's financial records; • we challenged the group's key assumptions, outlined above, for reasonableness and consistency with the external market expectations (see below for procedures on internal well cost estimates and internal cost reduction factors); • we have assessed available benchmarking reports for indications of developments in industry practice in light of climate change goals; • we tested actual decommissioning costs incurred during the period and recognised against the provision; and • we evaluated management's disclosures including in the sensitivity of decommissioning assumptions. **Procedures on internal well cost estimates** • we challenged the group's assumptions within the cost estimate and benchmarked to peer and market rates; and • we assessed the duration assumptions for plug and abandonment of wells, by comparison to available benchmarking data and contradictory evidence available from active decommissioning projects or operator estimates. **Procedures on internal cost reduction factors** • we challenged the group's cost reduction factors applied to the decommissioning model through obtaining supporting evidence for the factors applied; and • we benchmarked cost reduction factors to peers and other applicable sources, and considered contradictory evidence.
Key observations	• We have not identified any material errors in the valuation of the decommissioning estimates; • We are satisfied that the group's decommissioning provision is prepared in accordance with the requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and • We are satisfied the disclosures in the financial statements are appropriate.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

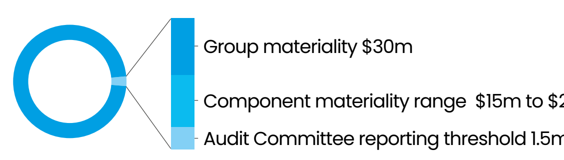
Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	$30 million (2021: $20 million)	$12.7 million (2021: $10.3 million)
Basis for determining materiality	3% of adjusted EBITDA (earnings before interest, tax, depreciation, amortisation, remeasurements and exceptional items) (2021: 3% of adjusted EBITDA). Management have presented a reconciliation of $979 million adjusted EBITDA to profit from continuing activities in the glossary to the financial statements on page 175.	3% of net assets (2021: 3% of net assets).

Rationale for the benchmark applied	Adjusted EBITDA was considered to be the most relevant benchmark as it is a key performance measure used by the group and by investors and represents a consistent profit measure used widely by stakeholders.	The parent company acts principally as a holding company and therefore net assets is a key measure for this business.

6. Our application of materiality continued

6.1. Materiality continued



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2021: 60%) of group materiality	70% (2021: 60%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered factors including the control environment, size and nature and volume of uncorrected and corrected misstatements identified in the previous audit, macro-economic factors such as commodity price volatility and geo-political instability, and management's willingness to correct errors identified in the prior year and current year. Upon consideration of these factors we concluded that the likelihood of misstatement would reduce compared to the prior year, and as a result have increased our factor applied to materiality in determining performance materiality.	

6.3.Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $1.5 million (2021: $1 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. In the current year we performed full scope audit procedures on the North Sea and Malaysia components. Audit procedures were performed by the group audit team for the North Sea component and by the Malaysia component team for the Malaysia component.

The materiality applied for the Malaysia component was $15 million (2021: $8.5 million). The materiality applied for the UK component was $27 million (2021: $15 million).

The North Sea and Malaysia components, where we performed full scope audit procedures, accounted for 100% of the group's revenue, 100% of the group's adjusted EBITDA and 100% of the group's net assets, consistent with the prior year. The Malaysia component contributed 9% of the group's revenue, 11% of the group's adjusted EBITDA and 5% of the group's total assets (2021: 7% of the group's revenue, 7% of the group's adjusted EBITDA and 6% of the group's total assets).

7.2. Our consideration of the control environment

We obtained an understanding of the relevant controls in relation to key business processes as well as IT systems that were relevant to the audit, being the financial reporting system. We worked with our IT specialists to test the operating effectiveness of the general environment and relied on the automated foreign exchange revaluation and joint venture allocation controls.

7.3. Our consideration of climate-related risks

We performed enquiries of management to understand the impact of climate-related risks and controls relevant to the group. We performed a review of the climate change risk assessment and related documentation prepared by management and considered the completeness and accuracy of the climate-related risks identified and summarised in the Task Force on Climate-related Financial Disclosures report on page 53.

As disclosed in note 2, management identified key judgements and estimates with elevated climate-related risk, relating to impairment of oil and gas assets, valuation of contingent consideration, valuation of the decommissioning provision, valuation of deferred tax assets, and estimation of oil and gas reserves.

We considered whether the risks identified by management within their climate change risk assessment and related documentation were complete and challenged assumptions impacting the financial statements. The key piece of climate-related regulation enacted to date and impacting the group continued to relate to carbon costs and emission allowances. The key market-related matter which could have a material impact on the valuation of the items noted above is in respect of future demand for, and pricing of, oil and gas as the energy mix evolves in response to climate change risk and other matters.

We also performed a review of the disclosures within the Annual Report, with the involvement of our Environmental, Social and Governance specialists, and considered whether these were materially consistent with the financial disclosures, complete, and consistent with our understanding of the climate-related risks, assumptions and judgements during the year. Both of our key audit matters are considered to contain climate-related risks, being the key market-related matters which could have a material impact on the valuation of oil and gas related assets and liabilities and valuation of the decommissioning provision. The procedures performed for these key audit matters are discussed in detail in the key audit matters section above.

7.4. Working with other auditors

The North Sea component was audited by the group audit team and we oversaw the Malaysia component audit through regular meetings and direct supervision. We organised planning and working meetings virtually, led by the audit partner or other senior members of the engagement team. Throughout the year, the group audit team has been directly involved in overseeing the component audit planning and execution, through frequent conversations, team meetings, debate, challenge and review of reporting and underlying work papers. In addition to our direct interactions, we sent detailed instructions to the component audit team and attended audit closing meetings. We are satisfied that the level of involvement of the lead audit partner and team in the component audit has been extensive and has enabled us to conclude that sufficient appropriate audit evidence has been obtained in support of our opinion on the group financial statements as a whole.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team, including the component audit team, and relevant internal specialists, including tax, valuations, IT, modelling, and oil and gas reserves specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- valuation of oil and gas related assets and liabilities;
- valuation of decommissioning provision; and
- crude oil revenue recognition.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act 2006 and the Listing Rules of the UK Listing Authority and the relevant tax compliance regulations in the jurisdictions in which the group operates.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included Market Abuse Regulation, environmental laws and regulations in the countries in which the group operates.

11.2. Audit response to risks identified
As a result of performing the above, we identified the valuation of oil and gas related assets and liabilities and the valuation of the decommissioning provision as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:
- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with relevant authorities;
- in addressing the risk of fraud in revenue recognition associated with the cut-off of crude oil sales, we tested a sample of invoices from a population of December 2022 and January 2023 sales invoices; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments, assessing whether the judgements made in making accounting estimates are indicative of a potential bias, and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:
- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 25 and 26;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 25 and 26;
- the directors' statement on fair, balanced and understandable set out on page 79;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 40 to 51;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 82 and 83; and
- the section describing the work of the Audit Committee set out on pages 80 to 82.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by shareholders on 21 May 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is three years, covering the years ended 31 December 2020 to 31 December 2022.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

James Leigh FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor

London, United Kingdom

4 April 2023

Group Income Statement

For the year ended 31 December 2022

	Notes	2022			2021		
		Business performance $'000	**Remeasurements and exceptional items (note 4) $'000**	**Reported in year $'000**	Business performance $'000	Remeasurements and exceptional items (note 4) $'000	Reported in year $'000
Revenue and other operating income	5(a)	**1,839,147**	**14,475**	**1,853,622**	1,320,265	(54,451)	1,265,814
Cost of sales	5(b)	**(1,195,806)**	**(4,900)**	**(1,200,706)**	(900,433)	(7,201)	(907,634)
Gross profit/(loss)		**643,341**	**9,575**	**652,916**	419,832	(61,652)	358,180
Net impairment (charge)/reversal to oil and gas assets	4,10	**–**	**(81,049)**	**(81,049)**	–	39,715	39,715
General and administration expenses	5(c)	**(7,553)**	**–**	**(7,553)**	(363)	–	(363)
Other income	5(d)	**76,247**	**7,706**	**83,953**	30,990	162,647	193,637
Other expenses	5(e)	**(2,810)**	**(233,570)**	**(236,380)**	(7,278)	(3,832)	(11,110)
Profit/(loss) from operations before tax and finance income/(costs)		**709,225**	**(297,338)**	**411,887**	443,181	136,878	580,059
Finance costs	6	**(176,227)**	**(36,410)**	**(212,637)**	(169,451)	(58,395)	(227,846)
Finance income	6	**1,816**	**2,148**	**3,964**	228	–	228
Profit/(loss) before tax		**534,814**	**(331,600)**	**203,214**	273,958	78,483	352,441
Income tax	7	**(322,468)**	**78,020**	**(244,448)**	(53,674)	78,221	24,547
Profit/(loss) for the year attributable to owners of the parent		**212,346**	**(253,580)**	**(41,234)**	220,284	156,704	376,988
Total comprehensive (loss)/profit for the year, attributable to owners of the parent				**(41,234)**			376,988

There is no comprehensive income attributable to the shareholders of the Group other than the profit for the period. Revenue and operating profit/(loss) are all derived from continuing operations.

	Notes						
Earnings per share	8	**$**		**$**	$		$
Basic		**0.114**		**(0.022)**	0.127		0.217
Diluted		**0.112**		**(0.022)**	0.125		0.214

The attached notes 1 to 29 form part of these Group financial statements.

Group Balance Sheet
At 31 December 2022

	Notes	2022 $'000	2021 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**2,476,975**	2,821,998
Goodwill	11	**134,400**	134,400
Intangible assets	12	**46,498**	47,667
Deferred tax assets	7(c)	**705,808**	702,970
Other financial assets	19	**6**	6
		3,363,687	3,707,041
Current assets			
Inventories	13	**76,418**	73,023
Trade and other receivables	16	**276,363**	296,068
Current tax receivable		**1,491**	2,368
Cash and cash equivalents	14	**301,611**	286,661
Other financial assets	19	**4,705**	472
		660,588	658,592
TOTAL ASSETS		**4,024,275**	4,365,633
EQUITY AND LIABILITIES			
Equity			
Share capital and premium	20	**392,196**	392,196
Share-based payment reserve		**11,510**	6,791
Retained earnings	20	**80,535**	121,769
TOTAL EQUITY		**484,241**	520,756
Non-current liabilities			
Borrowings	18	**281,422**	191,109
Bonds	18	**452,386**	1,081,596
Leases liabilities	24	**362,966**	442,500
Contingent consideration	22	**513,677**	380,301
Provisions	23	**667,335**	754,266
Deferred tax liabilities	7(c)	**166,334**	3,418
		2,444,120	2,853,190
Current liabilities			
Borrowings	18	**131,936**	210,505
Bonds	18	**134,544**	–
Leases liabilities	24	**119,100**	128,281
Contingent consideration	22	**123,198**	30,477
Provisions	23	**70,335**	140,676
Trade and other payables	17	**426,647**	420,544
Other financial liabilities	19	**50,966**	55,247
Current tax payable		**39,188**	5,957
		1,095,914	991,687
TOTAL LIABILITIES		**3,540,034**	3,844,877
TOTAL EQUITY AND LIABILITIES		**4,024,275**	4,365,633

The attached notes 1 to 29 form part of these Group financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 4 April 2023 and signed on its behalf by:

Salman Malik
Chief Financial Officer

Group Statement of Changes in Equity
For the year ended 31 December 2022

	Share capital and share premium $'000	Share–based payments reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2021	**345,420**	**1,016**	**(255,219)**	**91,217**
Profit/(loss) for the year	–	–	376,988	376,988
Total comprehensive profit for the year	–	–	376,988	376,988
Issue of share capital, net of expenses	46,200	–	–	46,200
Share-based payment	–	6,351	–	6,351
Shares purchased on behalf of Employee Benefit Trust	576	(576)	–	–
Balance at 31 December 2021	**392,196**	**6,791**	**121,769**	**520,756**
Profit/(loss) for the year	**–**	**–**	**(41,234)**	**(41,234)**
Total comprehensive profit for the year	**–**	**–**	**(41,234)**	**(41,234)**
Share-based payment	**–**	**4,719**	**–**	**4,719**
Balance at 31 December 2022	**392,196**	**11,510**	**80,535**	**484,241**

The attached notes 1 to 29 form part of these Group financial statements.

Group Statement of Cash Flows
For the year ended 31 December 2022

	Notes	2022 $'000	2021 $'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	29	**1,026,149**	756,928
Cash received from insurance		**15,015**	674
Cash received/(paid) on purchase of financial instruments		**(1,354)**	(277)
Decommissioning spend		**(58,964)**	(65,791)
Income taxes paid		**(49,293)**	(17,396)
Net cash flows from/(used in) operating activities		**931,553**	674,138
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(107,668)**	(43,712)
Purchase of intangible oil and gas assets		**(8,168)**	(8,127)
Purchase of other intangible assets	12	**(1,199)**	(10,052)
Payment of Magnus contingent consideration – Profit share	22	**(45,975)**	(968)
Acquisitions		**–**	(258,627)
Interest received		**1,763**	256
Net cash flows (used in)/from investing activities		**(161,247)**	(321,230)
FINANCING ACTIVITIES			
Net proceeds of share issue		**–**	47,782
Net proceeds of loans and borrowings		**65,473**	125,000
Net repayment of loans and borrowings		**(545,278)**	(184,276)
Repayment of Magnus contingent consideration – Vendor loan	22	**–**	(73,728)
Shares purchased by Employee Benefit Trust		**–**	(576)
Payment of obligations under financing leases	24	**(147,971)**	(136,651)
Interest paid		**(103,387)**	(63,025)
Net cash flows (used in)/from financing activities		**(731,163)**	(285,474)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**39,143**	67,434
Net foreign exchange on cash and cash equivalents		**(24,193)**	(3,603)
Cash and cash equivalents at 1 January		**286,661**	222,830
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**301,611**	286,661
Reconciliation of cash and cash equivalents			
Total cash at bank and in hand	14	**293,866**	276,970
Restricted cash	14	**7,745**	9,691
Cash and cash equivalents per balance sheet		**301,611**	286,661

The attached notes 1 to 29 form part of these Group financial statements.

1. Corporate information

EnQuest PLC ('EnQuest' or the 'Company') is a public company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales and listed on the London Stock Exchange and on the Stockholm NASDAQ OMX. The address of the Company's registered office is shown on the inside back cover.

The principal activities of the Company and its subsidiaries (together the 'Group') are to responsibly optimise production, leverage existing infrastructure, deliver a strong decommissioning performance and explore new energy and decarbonisation opportunities.

The Group's financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 4 April 2023.

A listing of the Group's companies is contained in note 28 to these Group financial statements.

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards ('IAS') in conformity with the requirements of the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2022.

The Group financial information has been prepared on an historical cost basis, except for the fair value remeasurement of certain financial instruments, including derivatives and contingent consideration, as set out in the accounting policies. The presentation currency of the Group financial information is US Dollars ('$') and all values in the Group financial information are rounded to the nearest thousand ($'000) except where otherwise stated.

The Group's results on a UK-adopted International Financial Reporting Standards ('IFRS') basis are shown on the Group Income Statement as 'Reported in the year', being the sum of its Business performance results and its Remeasurements and exceptional items as permitted by IAS 1 (Revised) Presentation of Financial Statements. Remeasurements and exceptional items are items that management considers not to be part of underlying business performance and are disclosed separately in order to enable shareholders to understand better and evaluate the Group's reported financial performance. For further information see note 4.

Going concern

The financial statements have been prepared on the going concern basis.

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

During 2022, the Group successfully completed a refinancing of its debt facilities, securing a $500.0 million amended and restated reserve based lending facility ('RBL') with a $300.0 million accordion maturing in April 2027 and $305.0 million 11.625% high yield bond maturing in November 2027. The net proceeds from the issue of the high yield bond, along with drawings of $400.0 million under the RBL and cash on hand, were used for the redemption of the $792.3 million aggregate principal amount of the Company's 7.00% high yield bond due 2023. This refinancing was in addition to the 9.00% retail bond exchange and issuance in April 2022 which resulted in a principal issue of £133.3 million. £111.3 million of the October 2023 7.00% retail bond remains in issue.

The RBL requires completion of a semi-annual review and redetermination on 30 June and 31 December each year. The amount available to draw under the RBL is based on an amortisation schedule and the borrowing base availability derived from the semi-annual review.

The RBL review and redetermination for the first half of 2023 was updated to include the increase in the EPL rate to 35%, extension of duration until March 2028 and removal of the windfall tax price floor introduced in the Autumn Statement 2022. This has resulted in a reduction of the available RBL capacity, and therefore liquidity available to the Group. In the first quarter of 2023, EnQuest repaid $118.0 million of the RBL facility, bringing the cash drawn balance down to $282.0 million, ensuring the Group remains ahead of the amended amortisation profile. The amended RBL repayment profile includes a further c.$100.0 million RBL deleveraging during the going concern period.

The Group's latest approved business plan, which includes the aforementioned RBL redetermination, underpins management's base case ('Base Case') and is in line with the Group's production guidance and uses oil price assumptions of $78.5/bbl for 2023 and 2024, adjusted for hedging activity undertaken.

The Base Case indicates that the Group is able to operate as a going concern and remain covenant compliant for 12 months from the date of publication of its full-year results. The Base Case reflects rapid deleveraging during the period, with redemption of the £111.3 million 7% retail bond in October 2023 and further RBL amortisations totalling c.$100.0 million, in addition to a $50.0 million contingent consideration payment in relation to the Golden Eagle acquisition in July 2023.

A reverse stress test has been performed on the Base Case. Given the rapid deleveraging required under the amended amortisation profile within the going concern period, an oil price of c.$77.0/bbl maintains covenant compliance.

The Base Case has also been subjected to further testing through (i) a $5.00/bbl reduction in the average price from the Base Case; and (ii) a scenario reflecting the impact of the following plausible downside risks (the 'Downside Case'):

2. Basis of preparation continued

- 10.0% discount to Base Case prices resulting in Downside Case prices of $70.7/bbl for 2023 and $70.7/bbl for 2024;
- Production risking of 5.0% for 2023 and 2024; and
- 2.5% increase in operating costs.

The case with $5.00/bbl reduction in the average price from the Base Case and the Downside Case indicate that mitigants would be required to remain covenant compliant. Should circumstances arise that differ from the Group's Base Case projections, the Directors believe that several mitigating actions, including cargo prepayment or other funding options, can be executed successfully in the necessary timeframe to meet debt repayment obligations as they become due and maintain liquidity.

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

New standards and interpretations

The following new standards became applicable for the current reporting period. No material impact was recognised upon application:

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Property, Plant and Equipment – Proceeds before intended use (Amendment to IAS 16)
- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual improvements to IFRS Accounting Standards 2018-2020 Cycle

Standards issued but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17	*Insurance Contracts*
IFRS 10 and IAS 28 (amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies*
Amendments to IAS 8	*Disclosure of Accounting Policies*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of EnQuest PLC and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Joint arrangements

Oil and gas operations are usually conducted by the Group as co-licensees in unincorporated joint operations with other companies. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the consent of the relevant parties sharing control. The joint operating agreement is the underlying contractual framework to the joint arrangement, which is historically referred to as the joint venture. The Annual Report and Accounts therefore refers to 'joint ventures' as a standard term used in the oil and gas industry, which is used interchangeably with joint operations.

Most of the Group's activities are conducted through joint operations, whereby the parties that have joint control of the arrangement have the rights to the assets, and obligations for the liabilities relating to the arrangement. The Group recognises its share of assets, liabilities, income and expenses of the joint operation in the consolidated financial statements on a line-by-line basis. During 2022, the Group did not have any material interests in joint ventures or in associates as defined in IAS 28.

2. Basis of preparation continued

Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The Group's financial statements are presented in US Dollars, the currency which the Group has elected to use as its presentation currency.

In the financial statements of the Company and its individual subsidiaries, transactions in currencies other than a company's functional currency are recorded at the prevailing rate of exchange on the date of the transaction. At the year end, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the rate of exchange at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the rate of exchange at the date the fair value was determined. All foreign exchange gains and losses are taken to profit and loss in the Group income statement.

Emissions liabilities

The Group operates in an energy intensive industry and is therefore required to partake in emission trading schemes ('ETS'). The Group recognises an emission liability in line with the production of emissions that give rise to the obligation. To the extent the liability is covered by allowances held, the liability is recognised at the cost of these allowances held and if insufficient allowances are held, the remaining uncovered portion is measured at the spot market price of allowances at the balance sheet date. The expense is presented within 'production costs' under 'cost of sales' and the accrual is presented in 'trade and other payables'. Any allowance purchased to settle the Group's liability is recognised on the balance sheet as an intangible asset. Both the emission allowances and the emission liability are derecognised upon settling the liability with the respective regulator.

Use of judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, at the date of the consolidated financial statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The accounting judgements and estimates that have a significant impact on the results of the Group are set out below and should be read in conjunction with the information provided in the Notes to the financial statements. The Group does not consider contingent consideration and deferred taxation (including EPL) to represent a significant estimate or judgement as the estimates and assumptions relating to projected earnings and cash flows used to assess contingent consideration and deferred taxation are the same as those applied in the Group impairment process as described below in *Recoverability of asset carrying values*. Judgements and estimates, not all of which are significant, made in assessing the impact of climate change and the transition to a lower carbon economy on the consolidated financial statements are also set out below. Where an estimate has a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, this is specifically noted.

Climate change and energy transition

As covered in our principal risks on oil and gas prices on page 45, the Group recognises that the energy transition is likely to impact the demand, and hence the future prices, of commodities such as oil and natural gas. This in turn may affect the recoverable amount of property, plant and equipment, and goodwill in the oil and gas industry. The Group acknowledges that there are a range of possible energy transition scenarios that may indicate different outcomes for oil prices. There are inherent limitations with scenario analysis and it is difficult to predict which, if any, of the scenarios might eventuate.

The Group has assessed the potential impacts of climate change and the transition to a lower carbon economy in preparing the consolidated financial statements, including the Group's current assumptions relating to demand for oil and natural gas and their impact on the Group's long-term price assumptions. See *Recoverability of asset carrying values: Oil prices*.

While the pace of transition to a lower carbon economy is uncertain, oil and natural gas demand is expected to remain a key element of the energy mix for many years based on stated policies, commitments and announced pledges to reduce emissions. Therefore, given the useful lives of the Group's current portfolio of oil and gas assets, a material adverse change is not expected to the carrying values of EnQuest's assets and liabilities as a result of climate change and the transition to a lower carbon economy.

Management will continue to review price assumptions as the energy transition progresses and this may result in impairment charges or reversals in the future.

2. Basis of preparation continued

Critical accounting judgements and key sources of estimation uncertainty

The Group has considered its critical accounting judgements and key sources of estimation uncertainty, and these are set out below.

Recoverability of asset carrying values

Judgements: The Group assesses each asset or cash-generating unit ('CGU') (excluding goodwill, which is assessed annually regardless of indicators) in each reporting period to determine whether any indication of impairment exists. Assessment of indicators of impairment or impairment reversal and the determination of the appropriate grouping of assets into a CGU or the appropriate grouping of CGUs for impairment purposes require significant management judgement. For example, individual oil and gas properties may form separate CGUs whilst certain oil and gas properties with shared infrastructure may be grouped together to form a single CGU. Alternative groupings of assets or CGUs may result in a different outcome from impairment testing. See note 11 for details on how these groupings have been determined in relation to the impairment testing of goodwill.

Estimates: Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to dispose ('FVLCD') and value in use ('VIU'). The assessments require the use of estimates and assumptions such as the effects of inflation and deflation on operating expenses, discount rates, capital expenditure, production profiles, reserves and resources, and future commodity prices, including the outlook for global or regional market supply-and-demand conditions for crude oil and natural gas.

As described above, the recoverable amount of an asset is the higher of its VIU and its FVLCD. When the recoverable amount is measured by reference to FVLCD, in the absence of quoted market prices or binding sale agreement, estimates are made regarding the present value of future post-tax cash flows. These estimates are made from the perspective of a market participant and include prices, future production volumes, operating costs, capital expenditure, decommissioning costs, tax attributes, risking factors applied to cash flows and discount rates. Reserves and resources are included in the assessment of FVLCD to the extent that it is considered probable that a market participant would attribute value to them.

Details of impairment charges and reversals recognised in the income statement and details on the carrying amounts of assets are shown in note 10, note 11 and note 12.

The estimates for assumptions made in impairment tests in 2022 relating to discount rates and oil prices are discussed below. Changes in the economic environment or other facts and circumstances may necessitate revisions to these assumptions and could result in a material change to the carrying values of the Group's assets within the next financial year.

Discount rates

For discounted cash flow calculations, future cash flows are adjusted for risks specific to the CGU. FVLCD discounted cash flow calculations use the post-tax discount rate. The discount rate is derived using the weighted average cost of capital methodology. The discount rates applied in impairment tests are reassessed each year and, in 2022, the post-tax discount rate increased to 11% (2021: 10%) reflecting market volatility and the increase in interest rates.

Oil prices

The price assumptions used for FVLCD impairment testing were based on latest internal forecasts as at 31 December 2022, which assume short-term market prices will revert to the Group's assessment of long-term price. These price forecasts reflect EnQuest's long-term views of global supply and demand, including the potential financial impacts on the Group of climate change and the transition to a low carbon economy as outlined in the Basis of Preparation, and are benchmarked with external sources of information such as analyst forecasts. The Group's price forecasts are reviewed and approved by management and challenged by the Audit Committee.

EnQuest revised its oil price assumptions for FVLCD impairment testing compared to those used in 2021. The assumptions were increased to reflect an improved demand outlook as at the end of 2022. Oil prices were higher than 2021 throughout much of 2022. They peaked at c.$130/bbl following the Russian invasion of Ukraine in March and remained elevated for the summer, driven by a combination of uncertainty over the impact of sanctions on Russia, measured increases in OPEC+ supply and continued capital discipline across the industry. Towards the end of 2022, prices declined towards c.$80/bbl as oil demand slowed, reflecting the combination of uncertainty over the pace at which COVID-19 related restrictions would be removed in China and mounting global inflation and recessionary pressures. A summary of the Group's revised price assumptions is provided below. These assumptions, which represent management's best estimate of future prices, sit within the range of external forecasts. They do not correspond to any specific Paris–consistent scenario, but when compared to the International Energy Agency's ('IEA') forecast prices under its Announced Pledges Scenario ('APS'), which is considered to be a scenario achieving an emissions trajectory consistent with keeping the temperature rise in 2100 below 2°C, could, on average, be considered to be broadly in line with a Paris-consistent scenario. EnQuest's short and medium term assumptions are below those assumed under the APS, while its longer term prices are slightly higher. The impact on the Group from the forecast prices under the APS are discussed in EnQuest's Task Force for climate-related Financial Disclosures report in pages 53 to 60. Discounts or premiums are applied to price assumptions based on the characteristics of the oil produced and of the terms of the relevant sales contracts.

2. Basis of preparation continued

An inflation rate of 2% (2021: 2%) is applied from 2026 onwards to determine the price assumptions in nominal terms (see table below). The price assumptions used in 2021 were $75.0/bbl (2022), $70.0/bbl (2023), $70.0/bbl (2024) and $60.0/bbl real thereafter, inflated at 2.0% per annum from 2025.

	2023	2024	2025	2026›
Brent oil ($/bbl)	84.0	80.0	75.0	70.0

Oil and natural gas reserves

Hydrocarbon reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Group's oil and gas properties. The business of the Group is to responsibly optimise production, leverage existing infrastructure, deliver a strong decommissioning performance and explore new energy and decarbonisation opportunities. Factors such as the availability of geological and engineering data, reservoir performance data, acquisition and divestment activity and drilling of new wells all impact on the determination of the Group's estimates of its oil and gas reserves and result in different future production profiles affecting prospectively the discounted cash flows used in impairment testing and the calculation of contingent consideration, the anticipated date of decommissioning and the depletion charges in accordance with the unit of production method, as well as the going concern assessment. Economic assumptions used to estimate reserves change from period to period as additional technical and operational data is generated. This process may require complex and difficult geological judgements to interpret the data.

The Group uses proven and probable ('2P') reserves (see page 18) as the basis for calculations of expected future cash flows from underlying assets because this represents the reserves management intends to develop and it is probable that a market participant would attribute value to them. Third-party audits of EnQuest's reserves and resources are conducted annually.

Sensitivity analyses

Management tested the impact of a change in cash flows in FVLCD impairment testing arising from a 10% reduction in price assumptions.

Price reductions of this magnitude in isolation could indicatively lead to a further reduction in the carrying amount of EnQuest's oil and gas properties by approximately $269.0 million, which is approximately 11% of the net book value of property, plant and equipment as at 31 December 2022.

The oil price sensitivity analysis above does not, however, represent management's best estimate of any impairments that might be recognised as it does not fully incorporate consequential changes that may arise, such as reductions in costs and changes to business plans, phasing of development, levels of reserves and resources, and production volumes. As the extent of a price reduction increases, the more likely it is that costs would decrease across the industry. The oil price sensitivity analysis therefore does not reflect a linear relationship between price and value that can be extrapolated.

Management also tested the impact of a one percentage point change in the discount rate used for FVLCD impairment testing of oil and gas properties which is considered a reasonably possible change given the prevailing macroeconomic environment. If the discount rate was one percentage point higher across all tests performed, the net impairment charge in 2022 would have been approximately $62.7 million higher. If the discount rate was one percentage point lower, the net impairment charge would have been approximately $68.1 million lower.

Goodwill

Irrespective of whether there is any indication of impairment, EnQuest is required to test annually for impairment of goodwill acquired in business combinations. The Group carries goodwill of approximately $134.4 million on its balance sheet (2021: $134.4 million), principally relating to the Magnus oil field transactions. Sensitivities and additional information relating to impairment testing of goodwill are provided in note 11.

Deferred tax

The Group assesses the recoverability of its deferred tax assets at each period end. Sensitivities and additional information relating to deferred tax assets/liabilities are provided in note 7(d).

75% Magnus acquisition contingent consideration

Estimates: Following the volatility in financial markets experienced in the second half of 2022, the Group reassessed the fair value discount rate associated with the Magnus contingent consideration. This was estimated to be 10.0% as at the end of 2022, as calculated in line with IFRS 13. Sensitivities and additional information relating to the 75% Magnus acquisition contingent consideration are provided in note 22.

Provisions

Estimates: Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's oil and gas production facilities and pipelines. The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, estimates of the extent and costs of decommissioning activities, the emergence of new restoration techniques and experience at other production sites. The expected timing, extent and amount of expenditure may also change; for example, in response to changes in oil and gas reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results, although this is not expected within the next year.

2. Basis of preparation continued

The timing and amount of future expenditures relating to decommissioning and environmental liabilities are reviewed annually. The interest rate used in discounting the cash flows is reviewed half-yearly. The nominal interest rate used to determine the balance sheet obligations at the end of 2022 was increased to 3.5% (2021: 2%), reflecting increasing interest rates as the Bank of England sought to control inflation. The weighted average period over which decommissioning costs are generally expected to be incurred is estimated to be approximately ten years. Costs at future prices are determined by applying inflation rates for 2022 at 4% (2023), 3% (2024) and a long term inflation rate of 2% thereafter (2021: 2% from 2022 onwards) to decommissioning costs.

Further information about the Group's provisions is provided in note 23. Changes in assumptions, including cost reduction factors in relation to the Group's provisions could result in a material change in their carrying amounts within the next financial year. A 1.0 percentage point decrease in the nominal discount rate applied, which is considered a reasonably possible change given the prevailing macroeconmic environment, could increase the Group's provision balances by approximately $54.0 million (2021: $40.9 million). The pre-tax impact on the Group income statement would be a charge of approximately $53.6 million.

Intangible oil and gas assets
Judgements: The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely from either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

3. Segment information

The Group's organisational structure reflects the various activities in which EnQuest is engaged. Management has considered the requirements of IFRS 8 Operating Segments in regard to the determination of operating segments and concluded that at 31 December 2022, the Group had two significant operating segments: the North Sea and Malaysia. Operations are managed by location and all information is presented per geographical segment. The Group's segmental reporting structure remained in place throughout 2022. The North Sea's activities include Upstream operations, Decommissioning and Infrastructure & New Energy. Malaysia's activities include Upstream operations. The Group's reportable segments may change in the future depending on the way that resources may be allocated and performance assessed by the Chief Operating Decision Maker, who for EnQuest is the Chief Executive. The information reported to the Chief Operating Decision Maker does not include an analysis of assets and liabilities, and accordingly this information is not presented, in line with IFRS 8 para 23.

Year ended 31 December 2022 $'000	North Sea	Malaysia	All other segments	Total segments	Adjustments and eliminations(i)	Consolidated
Revenue:						
Revenue from contracts with customers	**1,873,214**	**159,578**	**–**	**2,032,792**	**–**	**2,032,792**
Other operating income/(expense)	**9,832**	**–**	**264**	**10,096**	**(189,266)**	**(179,170)**
Total revenue and other operating income/(expense)	**1,883,046**	**159,578**	**264**	**2,042,888**	**(189,266)**	**1,853,622**
Income/(expenses) line items:						
Depreciation and depletion	**(319,025)**	**(14,116)**	**(107)**	**(333,248)**	**–**	**(333,248)**
Net impairment (charge)/reversal to oil and gas assets	**(81,049)**	**–**	**–**	**(81,049)**	**–**	**(81,049)**
Segment profit/(loss)(ii)	**546,199**	**65,160**	**112**	**611,471**	**(199,584)**	**411,887**
Other disclosures:						
Capital expenditure(iii)	**115,853**	**39,030**	**30**	**154,913**	**–**	**154,913**

Year ended 31 December 2021 $'000	North Sea	Malaysia	All other segments	Total segments	Adjustments and eliminations(i)	Consolidated
Revenue:						
Revenue from contracts with customers	1,283,939	99,959	–	1,383,898	–	1,383,898
Other operating income/(expense)	3,811	–	235	4,046	(122,130)	(118,084)
Total revenue and other operating income/(expense)	1,287,750	99,959	235	1,387,944	(122,130)	1,265,814
Income/(expenses) line items:						
Depreciation and depletion	(299,324)	(13,612)	(134)	(313,070)	–	(313,070)
Net impairment (charge)/reversal to oil and gas assets	39,715	–	–	39,715	–	39,715
Segment profit/(loss)(ii)	653,301	35,625	(291)	688,635	(108,576)	580,059
Other disclosures:						
Capital expenditure(iii)	459,302	17,419	314	477,035	–	477,035

(i) Finance income and costs and gains and losses on derivatives are not allocated to individual segments as the underlying instruments are managed on a Group basis
(ii) Inter-segment revenues are eliminated on consolidation. All other adjustments are part of the reconciliations presented further below
(iii) Capital expenditure consists of property, plant and equipment and intangible exploration and appraisal assets, with 2021 reflecting the acquisition of the Golden Eagle asset

3. Segment information continued

Reconciliation of profit/(loss):

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Segment profit/(loss)	**611,471**	688,635
Finance costs	**(212,637)**	(227,846)
Finance income	**3,964**	228
Gain/(loss) on oil and foreign exchange derivatives(i)	**(199,584)**	(108,576)
Profit/(loss) before tax	**203,214**	352,441

(i) Includes $209.2 million realised losses on derivatives and $9.6 million unrealised gains on derivatives

Revenue from two customers relating to the North Sea operating segment each exceeds 10% of the Group's consolidated revenue arising from sales of crude oil, with amounts of $365.1 million and $321.7 million per each single customer (2021: two customers; $241.7 million and $150.6 million per each single customer).

4. Remeasurements and exceptional items

Accounting policy

As permitted by IAS 1 (Revised) Presentation of Financial Statements, certain items of income or expense which are material are presented separately. Additional line items, headings, sub-totals and disclosures of the nature and amount are presented to provide relevant understanding of the Group's financial performance.

Remeasurements and exceptional items are items that management considers not to be part of underlying business performance and are disclosed in order to enable shareholders to understand better and evaluate the Group's reported financial performance. The items that the Group separately presents as exceptional on the face of the Group income statement are those material items of income and expense which, because of the nature or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance. Remeasurements relate to those items which are remeasured on a periodic basis and are applied consistently year-on-year. If an item is assessed as a remeasurement or exceptional item, then subsequent accounting to completion of the item is also taken through remeasurement and exceptional items. Management has exercised judgement in assessing the relevant material items disclosed as exceptional.

The following items are classified as remeasurements and exceptional items ('exceptional'):

- Unrealised mark-to-market changes in the remeasurement of open derivative contracts at each period end are recognised within remeasurements, with the recycling of realised amounts from remeasurements into Business performance income when a derivative instrument matures;
- Impairments on assets, including other non-routine write-offs/write-downs where deemed material, are remeasurements and are deemed to be exceptional in nature;
- Fair value accounting arising in relation to business combinations is deemed as exceptional in nature, as these transactions do not relate to the principal activities and day-to-day Business performance of the Group. The subsequent remeasurements of contingent assets and liabilities arising on acquisitions, including contingent consideration, are presented within remeasurements and are presented consistently year-on-year; and
- Other items that arise from time to time that are reviewed by management as non-Business performance and are disclosed further below.

4. Remeasurements and exceptional items continued

Year ended 31 December 2022 $'000	Fair value remeasurement(i)	Impairments and write-offs(ii)	Other(iii)	Total
Revenue and other operating income	**14,475**	**–**	**–**	**14,475**
Cost of sales	**(4,900)**	**–**	**–**	**(4,900)**
Net impairment (charge)/reversal on oil and gas assets	**–**	**(81,049)**	**–**	**(81,049)**
Other income	**1,070**	**–**	**6,636**	**7,706**
Other expense	**(233,570)**	**–**	**–**	**(233,570)**
Finance costs	**–**	**–**	**(36,410)**	**(36,410)**
Finance income	**–**	**–**	**2,148**	**2,148**
	(222,925)	**(81,049)**	**(27,626)**	**(331,600)**
Tax on items above	**89,599**	**32,420**	**7,817**	**129,836**
Recognition of undiscounted deferred tax asset(iv)	**–**	**127,024**	**–**	**127,024**
Deferred UK Energy Profits Levy	**–**	**–**	**(178,840)**	**(178,840)**
	(133,326)	**78,395**	**(198,649)**	**(253,580)**

Year ended 31 December 2021 $'000	Fair value remeasurement(i)	Impairments and write-offs(ii)	Other(iii)	Total
Revenue and other operating income	(54,451)	–	–	(54,451)
Cost of sales	472	–	(7,673)	(7,201)
Net impairment (charge)/reversal on oil and gas assets	–	39,715	–	39,715
Other income	140,079	–	22,568	162,647
Other expenses	–	–	(3,832)	(3,832)
Finance costs	–	–	(58,395)	(58,395)
	86,100	39,715	(47,332)	78,483
Tax on items above	(36,518)	(14,722)	24,915	(26,325)
Recognition of undiscounted deferred tax asset(iv)	–	104,546	–	104,546
	49,582	129,539	(22,417)	156,704

(i) Fair value remeasurements include unrealised mark-to-market movements on derivative contracts and other financial instruments and the impact of recycled realised gains and losses out of 'Remeasurements and exceptional items' and into Business performance profit or loss of $9.6 million (2021: $(54.0) million). Other expense net of other income relates to the fair value remeasurement of contingent consideration relating to the acquisition of Magnus and associated infrastructure of $232.5 million (note 22) (2021: other income of $140.1 million)

(ii) Impairments and write offs include a net impairment charge of tangible oil and gas assets and right-of-use assets totalling $81.0 million (note 10) (2021: reversal of $39.7 million)

(iii) Other items are made up of the following: In 2021, cost of sales included $7.7 million mainly related to a provision for a dispute with a third party contractor. Other income of $6.6 million in 2022 relates to recognition of insurance income related to PM8/Seligi riser incident. 2021 included the write-off of the fair value ascribed to accruals of $12.0 million as part of the accounting at the time of acquisition of the additional 75% in Magnus and the recognition of $9.0 million of insurance income related to the PM8/Seligi riser incident. In 2021, other expense of $3.8 million relates to expenses incurred on the repayment of the bp vendor loan. Finance costs relates to the finance cost element of the 75% acquisition of Magnus and associated infrastructure of $36.4 million (note 22) (2021: $58.3 million). Finance income of $2.1 million in 2022 represents a realised gain on the partial buy back of the Group's 7.00% high yield bond

(iv) Non-cash deferred tax recognition in 2022 due to the Group's higher oil price assumptions. In 2021 includes impact of the Group's acquisition of Golden Eagle in addition to the higher oil price assumptions

5. Revenue and expenses

(a) Revenue and other operating income

Accounting policy

Revenue from contracts with customers

The Group generates revenue through the sale of crude oil, gas and condensate to third parties, and through the provision of infrastructure to its customers for tariff income. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. The normal credit term is 30 days or less upon performance of the obligation.

Sale of crude oil, gas and condensate

The Group sells crude oil, gas and condensate directly to customers. The sale represents a single performance obligation, being the sale of barrels equivalent to the customer on taking physical possession or on delivery of the commodity into an infrastructure. At this point the title passes to the customer and revenue is recognised. The Group principally satisfies its performance obligations at a point in time; the amounts of revenue recognised relating to performance obligations satisfied over time are not significant. Transaction prices are referenced to quoted prices, plus or minus an agreed fixed discount rate to an appropriate benchmark, if applicable.

Tariff revenue for the use of Group infrastructure

Tariffs are charged to customers for the use of infrastructure owned by the Group. The revenue represents the performance of an obligation for the use of Group assets over the life of the contract. The use of the assets is not separable as they are interdependent in order to fulfil the contract and no one item of infrastructure can be individually isolated. Revenue is recognised as the performance obligations are satisfied over the period of the contract, generally a period of 12 months or less, on a monthly basis based on throughput at the agreed contracted rates.

Other operating income

Other revenue includes rental income from vessels, which is recognised to the extent that it is probable economic benefits will flow to the Group and the revenue can be reliably measured.

The Group enters into oil derivative trading transactions which can be settled net in cash. Accordingly, any gains or losses are not considered to constitute revenue from contracts with customers in accordance with the requirements of IFRS 15 rather are accounted for in line with IFRS 9 and included within other operating income (see note 19).

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Revenue from contracts with customers:		
Revenue from crude oil sales	**1,517,666**	1,139,171
Revenue from gas and condensate sales[i]	**514,206**	244,073
Tariff revenue	**920**	654
Total revenue from contracts with customers	**2,032,792**	1,383,898
Rental income from vessels	**–**	702
Realised losses on oil derivative contracts (see note 19)	**(203,741)**	(67,679)
Other	**10,096**	3,344
Business performance revenue and other operating income	**1,839,147**	1,320,265
Unrealised gains/(losses) on oil derivative contracts[ii] (see note 19)	**14,475**	(54,451)
Total revenue and other operating income	**1,853,622**	1,265,814

(i) Includes onward sale of third-party gas purchases not required for injection activities at Magnus. See note 5(b)
(ii) Unrealised gains and losses on oil derivative contracts are disclosed as fair value remeasurement items in the income statement (see note 4)

Disaggregation of revenue from contracts with customers

	Year ended 31 December 2022 $'000		Year ended 31 December 2021 $'000	
	North Sea	**Malaysia**	North Sea	Malaysia
Revenue from contracts with customers:				
Revenue from crude oil sales	**1,360,228**	**157,438**	1,040,577	98,594
Revenue from gas and condensate sales[i]	**512,066**	**2,140**	242,708	1,365
Tariff revenue	**920**	**–**	654	–
Total revenue from contracts with customers	**1,873,214**	**159,578**	1,283,939	99,959

(i) Includes onward sale of third-party gas purchases not required for injection activities at Magnus. See note 5(b)

5. Revenue and expenses continued

(b) Cost of sales

Accounting policy

Production imbalances, movements in under/over-lift and movements in inventory are included in cost of sales. The over-lift liability is recorded at the cost of the production imbalance to represent a provision for production costs attributable to the volumes sold in excess of entitlement. The under-lift asset is recorded at the lower of cost and net realisable value, consistent with IAS 2, to represent a right to additional physical inventory. An under-lift of production from a field is included in current receivables and an over-lift of production from a field is included in current liabilities.

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Production costs	**347,832**	292,252
Tariff and transportation expenses	**43,266**	39,414
Realised loss/(gain) on derivative contracts related to operating costs (see note 19)	**5,418**	(10,693)
Change in lifting position	**(18,790)**	62,868
Crude oil inventory movement	**3,222**	(561)
Depletion of oil and gas assets(i)	**327,027**	305,578
Other cost of operations(ii)	**487,831**	211,575
Business performance cost of sales	**1,195,806**	900,433
Unrealised losses/(gains) on derivative contracts related to operating costs(iii) (see note 19)	**4,900**	(472)
Movement in other provisions	**–**	7,673
Total cost of sales	**1,200,706**	907,634

(i) Includes $38.7 million (2021: $45.7 million) Kraken FPSO right-of-use asset depreciation charge and $15.8 million (2021: $14.3 million) of other right-of-use assets depreciation charge
(ii) Includes $452.8 million (2021: $199.6 million) of purchases and associated costs of third-party gas not required for injection activities at Magnus which is sold on
(iii) Unrealised gains and losses on derivative contracts are disclosed as fair value remeasurement in the income statement (see note 4)

(c) General and administration expenses

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Staff costs (see note 5(f))	**75,266**	80,098
Depreciation(i)	**6,222**	7,492
Other general and administration costs	**21,740**	21,322
Recharge of costs to operations and joint venture partners	**(95,675)**	(108,549)
Total general and administration expenses	**7,553**	363

(i) Includes $3.4 million (2021: $4.0 million) right-of-use assets depreciation charge on buildings

(d) Other income

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Net foreign exchange gains	**21,329**	391
Change in decommissioning provisions (see note 23)	**36,763**	19,327
Rental income from office sublease	**1,549**	1,702
Change in Thistle decommissioning provisions (see note 23)	**6,060**	–
Other	**10,546**	9,570
Business performance other income	**76,247**	30,990
Fair value changes in contingent consideration (see note 22)	**1,070**	140,079
Other non-Business performance (see note 4)	**6,636**	22,568
Total other income	**83,953**	193,637

5. Revenue and expenses continued

(e) Other expenses

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Change in Thistle decommissioning provisions (see note 23)	–	6,184
Other	**2,810**	1,094
Business performance other expenses	**2,810**	7,278
Fair value changes in contingent consideration (see note 22)	**233,570**	–
Other non-Business performance	–	3,832
Total other expenses	**236,380**	11,110

(f) Staff costs

Accounting policy

Short-term employee benefits, such as salaries, social premiums and holiday pay, are expensed when incurred.

The Group's pension obligations consist of defined contribution plans. The Group pays fixed contributions with no further payment obligations once the contributions have been paid. The amount charged to the Group income statement in respect of pension costs reflects the contributions payable in the year. Differences between contributions payable during the year and contributions actually paid are shown as either accrued liabilities or prepaid assets in the balance sheet.

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Wages and salaries	**63,430**	71,391
Social security costs	**6,547**	7,120
Defined contribution pension costs	**4,968**	5,464
Expense of share-based payments (see note 21)	**4,719**	6,351
Other staff costs	**12,984**	12,475
Total employee costs	**92,648**	102,801
Contractor costs	**33,661**	33,871
Total staff costs	**126,309**	136,672
General and administration staff costs (see note 5(c))	**75,266**	80,098
Non-general and administration costs	**51,043**	56,574
Total staff costs	**126,309**	136,672

The average number of persons, excluding contractors, employed by the Group during the year was 715, with 335 in the general and administration staff costs and 380 directly attributable to assets (2021: 734 of which 339 in general and administration and 395 directly attributable to assets). Compensation of key management personnel is disclosed in note 26 and in the remuneration report on pages 85 to 102.

(g) Auditor's remuneration

The following amounts for the year ended 31 December 2022 and for the comparative year ended 31 December 2021 were payable by the Group to Deloitte:

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Fees payable to the Company's auditor for the audit of the parent company and Group financial statements	**1,064**	847
The audit of the Company's subsidiaries	**274**	145
Total audit	**1,338**	992
Audit-related assurance services[(i)]	**649**	1,419
Total audit and audit-related assurance services	**1,987**	2,411
Tax services	–	–
Total auditor's remuneration	**1,987**	2,411

(i) Audit-related assurance services include the review of the Group's interim results and the Group's Bond refinancing activities

6. Finance costs/income

Accounting policy

Borrowing costs are recognised as interest payable within finance costs in accordance with the effective interest method.

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Finance costs:		
Loan interest payable	**14,906**	20,206
Bond interest payable	**62,260**	69,085
Unwinding of discount on decommissioning provisions (see note 23)	**16,995**	15,856
Unwinding of discount on other provisions (see note 23)	**777**	1,061
Finance charges payable under leases (see note 24)	**39,172**	45,359
Amortisation of finance fees on loans and bonds	**35,287**	13,623
Other financial expenses(i)	**6,830**	4,261
Business performance finance expenses	**176,227**	169,451
Unwinding of discount on Magnus-related contingent consideration (see note 22)	**36,410**	58,395
Total finance costs	**212,637**	227,846
Finance income:		
Bank interest receivable	**1,816**	228
Business performance finance income	**1,816**	228
Other financial income (see note 4)	**2,148**	–
Total finance income	**3,964**	228

(i) Includes unwinding of discount on Golden Eagle contingent consideration of $3.2 million (2021: $0.5 million). See note 22

7. Income tax

(a) Income tax

Accounting policy

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

The Group's operations are subject to a number of specific tax rules which apply to exploration, development and production. In addition, the tax provision is prepared before the relevant companies have filed their tax returns with the relevant tax authorities and, significantly, before these have been agreed. As a result of these factors, the tax provision process necessarily involves the use of a number of estimates and judgements including those required in calculating the effective tax rate. In considering the tax on exceptional items, the Group applies the appropriate statutory tax rate to each item to calculate the relevant tax charge on exceptional items.

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is measured on an undiscounted basis using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset only if a legal right exists to offset current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Group to make a single net payment.

Production taxes

In addition to corporate income taxes, the Group's financial statements also include and disclose production taxes on net income determined from oil and gas production.

Production tax relates to Petroleum Revenue Tax ('PRT') within the UK and is accounted for under IAS 12 Income Taxes since it has the characteristics of an income tax as it is imposed under government authority and the amount payable is based on taxable profits of the relevant fields. Current and deferred PRT is provided on the same basis as described above for income taxes.

7. Income tax continued

Investment allowance

The UK taxation regime provides for a reduction in ring-fence supplementary charge tax where investment in new or existing UK assets qualify for a relief known as investment allowance. Investment allowance must be activated by commercial production from the same field before it can be claimed. The Group has both unactivated and activated investment allowances which could reduce future supplementary charge taxation. The Group's policy is that investment allowance is recognised as a reduction in the charge to taxation in the years claimed.

Energy Profits Levy

On 14 July 2022, the Energy (Oil & Gas) Profits Levy Act 2022 ('EPL') was enacted in the UK and applies an additional tax of 25% on the profits earned by oil and gas companies from the production of oil and gas on the United Kingdom Continental Shelf. The EPL will increase to a rate of 35% from 25% with effect from 1 January 2023. The increase in rate was substantively enacted on 30 November 2022. The end date was also extended from 31 December 2025 to 31 March 2028. The enactment of the EPL led to the additional recognition of deferred tax positions as at 31 December 2022, resulting in a net charge of $153.7 million (2021: nil).

The major components of income tax expense/(credit) are as follows:

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Current UK income tax		
Current income tax charge	–	3,559
Adjustments in respect of current income tax of previous years	(243)	199
Current overseas income tax		
Current income tax charge	19,017	18,050
Adjustments in respect of current income tax of previous years	(6,551)	(221)
UK Energy Profits Levy	72,147	-
Total current income tax	84,370	21,587
Deferred UK income tax		
Relating to origination and reversal of temporary differences	1,784	(43,325)
Adjustments in respect of changes in tax rates	45	–
Adjustments in respect of deferred income tax of previous years	(4,668)	157
Deferred overseas income tax		
Relating to origination and reversal of temporary differences	6,884	(5,320)
Adjustments in respect of deferred income tax of previous years	2,363	2,354
Deferred UK Energy Profits Levy	153,670	–
Total deferred income tax	160,078	(46,134)
Income tax expense/(credit) reported in profit or loss	244,448	(24,547)

7. Income tax continued

(b) Reconciliation of total income tax charge

A reconciliation between the income tax charge and the product of accounting profit multiplied by the UK statutory tax rate is as follows:

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Profit/(loss) before tax	**203,214**	352,441
UK statutory tax rate applying to North Sea oil and gas activities of 40% (2021: 40%)	**81,284**	140,976
Supplementary corporation tax non-deductible expenditure	**11,486**	4,331
Petroleum revenue tax (net of income tax benefit)	**–**	2,548
Non-deductible expenditure/(income)(i)	**47,951**	(1,442)
North Sea tax reliefs	**–**	(113,593)
Tax in respect of non-ring-fence trade	**8,892**	23,378
Deferred tax asset (recognition)/impairment in respect of non-ring-fence trade	**8,563**	21,241
Deferred tax asset (recognition)/impairment in respect of ring-fence trade	**(127,022)**	(104,546)
UK Energy Profits Levy(ii)	**225,817**	–
Adjustments in respect of prior years	**(9,098)**	2,489
Overseas tax rate differences	**(1,264)**	(594)
Share-based payments	**(1,345)**	1,526
Other differences	**(816)**	(861)
At the effective income tax rate of 120% (2021: 7%)	**244,448**	(24,547)

(i) Predominantly in relation to non-qualifying expenditure relating to the initial recognition exemption utilised upon acquisition of Golden Eagle
(ii) Includes current EPL charge of $72.1 million and deferred EPL charge of $153.7 million

(c) Deferred income tax

Deferred income tax relates to the following:

	Group balance sheet		(Credit)/charge for the year recognised in profit or loss	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Deferred tax liability				
Accelerated capital allowances	**963,816**	768,630	**195,185**	(52,623)
	963,816	768,630		
Deferred tax asset				
Losses	**(902,101)**	(1,017,107)	**114,996**	(35,653)
Decommissioning liability	**(238,624)**	(286,045)	**47,421**	24,652
Other temporary differences	**(362,565)**	(165,030)	**(197,524)**	17,490
	(1,503,290)	(1,468,182)	**160,078**	(46,134)
Net deferred tax (assets)	**(539,474)**	(699,552)		
Reflected in the balance sheet as follows:				
Deferred tax assets	**(705,808)**	(702,970)		
Deferred tax liabilities	**166,334**	3,418		
Net deferred tax (assets)	**(539,474)**	(699,552)		

Reconciliation of net deferred tax assets/(liabilities)

	2022 $'000	2021 $'000
At 1 January	**699,552**	653,418
Tax (expense)/income during the period recognised in profit or loss	**(160,078)**	46,134
At 31 December	**539,474**	699,552

7. Income tax continued

(d) Tax losses

The Group's deferred tax assets at 31 December 2022 are recognised to the extent that taxable profits are expected to arise in the future against which tax losses and allowances in the UK can be utilised. A $127.0 million tax credit has been recognised as an exceptional item, reflecting the reversal of the previous deferred tax asset derecognition. In accordance with IAS 12 Income Taxes, the Group assesses the recoverability of its deferred tax assets at each period end. Sensitivities have been run on the oil price assumption, with a 10% change being considered a reasonable possible change for the purposes of sensitivity analysis (see note 2). A 10% reduction in oil price would result in a deferred tax asset derecognition of $37.6 million while a 10% increase in oil price would not result in any change as the Group is currently recognising all UK tax losses (with the exception of those noted below).

The Group has unused UK mainstream corporation tax losses of $389.7 million (2021: $346.6 million) and ring-fence tax losses of $1,163.0 million (2021: $1,057.3 million) associated with the Bentley acquisition, for which no deferred tax asset has been recognised at the balance sheet date as recovery of these losses is to be established. In addition, the Group has not recognised a deferred tax asset for the adjustment to bond valuations on the adoption of IFRS 9. The benefit of this deduction is taken over ten years, with a deduction of $2.2 million being taken in the current period and the remaining benefit of $10.7 million (2021: $12.9 million) remaining unrecognised.

The Group has unused Malaysian income tax losses of $14.3 million (2021: $15.7 million) arising in respect of the Tanjong Baram RSC for which no deferred tax asset has been recognised at the balance sheet date due to uncertainty of recovery of these losses.

No deferred tax has been provided on unremitted earnings of overseas subsidiaries. The Finance Act 2009 exempted foreign dividends from the scope of UK corporation tax where certain conditions are satisfied.

(e) Changes in legislation

In the budget statement on 3 March 2021, it was announced that the corporation tax rate will increase to 25% from 1 April 2023. This change is expected to have no impact.

8. Earnings per share

The calculation of earnings per share is based on the profit after tax and on the weighted average number of Ordinary shares in issue during the period. Diluted earnings per share is adjusted for the effects of Ordinary shares granted under the share-based payment plans, which are held in the Employee Benefit Trust, unless it has the effect of increasing the profit or decreasing the loss attributable to each share.

Basic and diluted earnings per share are calculated as follows:

	Profit/(loss) after tax		Weighted average number of Ordinary shares		Earnings per share	
	Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2022 $'000	2021 $'000	**2022 million**	2021 million	**2022 $**	2021 $
Basic	**(41,234)**	376,988	**1,855.0**	1,736.4	**(0.022)**	0.217
Dilutive potential of Ordinary shares granted under share-based incentive schemes	**–**	–	**39.2**	24.7	**–**	–
Diluted[(i)]	**(41,234)**	376,988	**1,894.2**	1,761.1	**(0.022)**	0.214
Basic (excluding remeasurements and exceptional items)	**212,346**	220,284	**1,855.0**	1,736.4	**0.114**	0.127
Diluted (excluding remeasurements and exceptional items)[(i)]	**212,346**	220,284	**1,894.2**	1,761.1	**0.112**	0.125

(i) Potential Ordinary shares are not treated as dilutive when they would decrease a loss per share

9. Dividends paid and proposed

The Company paid no dividends during the year ended 31 December 2022 (2021: none). At 31 December 2022, there are no proposed dividends (2021: none).

10. Property, plant and equipment

Accounting policy

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment charges.

Cost

Cost comprises the purchase price or cost relating to development, including the construction, installation and completion of infrastructure facilities such as platforms, pipelines and development wells and any other costs directly attributable to making that asset capable of operating as intended by management. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the other operating income or expense line item in the Group income statement when the asset is derecognised.

Development assets

Expenditure relating to development of assets including the construction, installation and completion of infrastructure facilities such as platforms, pipelines and development wells, is capitalised within property, plant and equipment.

Carry arrangements

Where amounts are paid on behalf of a carried party, these are capitalised. Where there is an obligation to make payments on behalf of a carried party and the timing and amount are uncertain, a provision is recognised. Where the payment is a fixed monetary amount, a financial liability is recognised.

Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are capitalised during the development phase of the project until such time as the assets are substantially ready for their intended use.

Depletion and depreciation

Oil and gas assets are depleted, on a field-by-field basis, using the unit of production method based on entitlement to proven and probable reserves, taking account of estimated future development expenditure relating to those reserves. Changes in factors which affect unit of production calculations are dealt with prospectively. Depletion of oil and gas assets is taken through cost of sales.

Depreciation on other elements of property, plant and equipment is provided on a straight-line basis, and taken through general and administration expenses, at the following rates:

Office furniture and equipment	Five years
Fixtures and fittings	Ten years
Right-of-use assets*	Lease term

* Excludes Kraken FPSO which is depleted using the unit of production method in accordance with the related oil and gas assets

Each asset's estimated useful life, residual value and method of depreciation is reviewed and adjusted if appropriate at each financial year end. No depreciation is charged on assets under construction.

Impairment of tangible and intangible assets (excluding goodwill)

At each balance sheet date, discounted cash flow models comprising asset-by-asset life of field projections and risks specific to assets, using Level 3 inputs (based on IFRS 13 fair value hierarchy), have been used to determine the recoverable amounts for each CGU. The life of a field depends on the interaction of a number of variables; see note 2 for further details. Estimated production volumes and cash flows up to the date of cessation of production on a field-by-field basis, including operating and capital expenditure, are derived from the Group's business plan. Oil price assumptions and discount rate assumptions used were as disclosed in note 2. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the Group income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Group income statement.

10. Property, plant and equipment continued

	Oil and gas assets $'000	Office furniture, fixtures and fittings $'000	Right-of-use assets (note 24) $'000	Total $'000
Cost:				
At 1 January 2021	8,552,171	64,220	858,489	9,474,880
Acquisition	386,210	–	–	386,210
Additions	61,704	1,165	17,815	80,684
Change in decommissioning provision	(2,732)	–	–	(2,732)
Disposal	–	–	(8,411)	(8,411)
At 1 January 2022	**8,997,353**	**65,385**	**867,893**	**9,930,631**
Additions	**116,415**	**1,936**	**28,394**	**146,745**
Change in decommissioning provision (note 23)	**(75,917)**	**–**	**–**	**(75,917)**
Disposal	**–**	**–**	**(19,428)**	**(19,428)**
At 31 December 2022	**9,037,851**	**67,321**	**876,859**	**9,982,031**
Accumulated depreciation, depletion and impairment:				
At 1 January 2021	6,428,559	50,357	362,047	6,840,963
Charge for the year	245,645	3,472	63,953	313,070
Net impairment reversal for the year	(24,046)	–	(15,669)	(39,715)
Disposal	–	–	(5,831)	(5,831)
Other	146	–	–	146
At 1 January 2022	**6,650,304**	**53,829**	**404,500**	**7,108,633**
Charge for the year	**272,588**	**2,796**	**57,864**	**333,248**
Net impairment charge for the year	**78,058**	**–**	**2,991**	**81,049**
Disposal	**–**	**–**	**(17,874)**	**(17,874)**
At 31 December 2022	**7,000,950**	**56,625**	**447,481**	**7,505,056**
Net carrying amount:				
At 31 December 2022	**2,036,901**	**10,696**	**429,378**	**2,476,975**
At 31 December 2021	2,347,049	11,556	463,393	2,821,998
At 1 January 2021	2,123,612	13,863	496,442	2,633,917

The amount of borrowing costs capitalised during the year ended 31 December 2022 was nil (2021: nil).

Impairments

Impairments to the Group's producing assets and reversals of impairments are set out in the table below:

	Impairment (charge)/reversal		Recoverable amount[(i)]	
	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000	**31 December 2022 $'000**	31 December 2021 $'000
North Sea	**(81,049)**	39,715	**1,448,391**	1,496,219
Net pre-tax impairment (charge)/reversal	**(81,049)**	39,715		

(i) Recoverable amount has been determined on a fair value less costs of disposal basis (see note 2 for further details of judgements, estimates and assumptions made in relation to impairments). The amounts disclosed above are in respect of assets where an impairment (or reversal) has been recorded. Assets which did not have any impairment or reversal are excluded from the amounts disclosed

For information on judgements, estimates and assumptions made in relation to impairments see 'Use of judgements, estimates and assumptions' within note 2.

The 2022 net impairment charge of $81.0 million relates to producing assets in the UK North Sea. Impairment charges were primarily driven by the introduction of EPL, changes in production profiles and an increased discount rate partially offset by an increase in EnQuest's oil price assumptions. The CGUs on which impairment charges relate were $9.6 million for Kraken, $34.9 million for GKA and Scolty/Crathes CGU, $36.1 million for Golden Eagle and $0.5 million for Alba.

The 2021 net impairment reversal of $39.7 million relates to producing assets in the UK North Sea. Impairment reversals were primarily driven by an increase in EnQuest's near-term future oil price assumptions. The CGUs on which impairment reversals relate were $53.7 million for Kraken and $6.1 million for Alba. In addition, impairment losses of $20.1 million were incurred relating to the GKA and Scolty/Crathes CGU, primarily as a result of forecast increased costs and lower production.

11. Goodwill

Accounting policy

Cost

Goodwill arising on a business combination is initially measured at cost, being the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity at the date of acquisition. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, the gain is recognised in profit or loss.

Impairment of goodwill

Following initial recognition, goodwill is stated at cost less any accumulated impairment losses. In accordance with IAS 36 Impairment of Assets, goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate the recoverable amount of the CGU to which the goodwill relates should be assessed.

For the purposes of impairment testing, goodwill acquired is allocated to the CGU that is expected to benefit from the synergies of the combination. Each unit or units to which goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Impairment is determined by assessing the recoverable amount of the CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount of the CGU containing goodwill, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. For information on significant estimates and judgements made in relation to impairments see Use of judgements, estimates and assumptions: recoverability of asset carrying values within note 2.

A summary of goodwill is presented below:

	2022 $'000	2021 $'000
Cost and net carrying amount		
At 1 January	**134,400**	134,400
At 31 December	**134,400**	134,400

The majority of the goodwill, $94.6 million, relates to the 75% acquisition of the Magnus oil field and associated interests. The remaining goodwill balance arose from the acquisition of Stratic and PEDL in 2010 and the Greater Kittiwake Area asset in 2014.

Impairment testing of goodwill

Goodwill, which has been acquired through business combinations, has been allocated to the UK North Sea segment CGU, and this is therefore the lowest level at which goodwill is reviewed. The UK North Sea is a combination of oil and gas assets, as detailed within property, plant and equipment (note 10).

The recoverable amounts of the CGU and fields have been determined on a fair value less costs of disposal basis. See notes 2 and 10 for further details. An impairment charge of nil was taken in 2022 (2021: nil) based on a fair value less costs to dispose valuation of the North Sea CGU, as described above.

Sensitivity to changes in assumptions

The Group's recoverable value of assets is highly sensitive, *inter alia*, to oil price achieved and production volumes. A sensitivity has been run on the oil price assumption, with a 10% change being considered to be a reasonable possible change for the purposes of sensitivity analysis (see note 2). A 10% reduction in oil price would not result in an impairment charge (2021: 10% reduction would result in a net impairment of $54.7 million). A 25% reduction in oil price would fully impair goodwill (2021: 20%).

12. Intangible assets

Accounting policy

Exploration and appraisal assets

Exploration and appraisal assets have indefinite useful lives and are accounted for using the successful efforts method of accounting. Pre-licence costs are expensed in the period in which they are incurred. Expenditure directly associated with exploration, evaluation or appraisal activities is initially capitalised as an intangible asset. Such costs include the costs of acquiring an interest, appraisal well drilling costs, payments to contractors and an appropriate share of directly attributable overheads incurred during the evaluation phase. For such appraisal activity, which may require drilling of further wells, costs continue to be carried as an asset whilst related hydrocarbons are considered capable of commercial development. Such costs are subject to technical, commercial and management review to confirm the continued intent to develop, or otherwise extract value. When this is no longer the case, the costs are written off as exploration and evaluation expenses in the Group income statement. When exploration licences are relinquished without further development, any previous impairment loss is reversed and the carrying costs are written off through the Group income statement. When assets are declared part of a commercial development, related costs are transferred to property, plant and equipment. All intangible oil and gas assets are assessed for any impairment prior to transfer and any impairment loss is recognised in the Group income statement.

During the year ended 31 December 2022, there was no impairment of historical exploration and appraisal expenditures (2021: nil).

12. Intangible assets continued

Other intangibles

UK emissions allowances ('UKAs') purchased to settle the Group's liability related to emissions are recognised on the balance sheet as an intangible asset at cost. The UKAs will be derecognised upon settling the liability with the respective regulator.

	Exploration and appraisal assets $'000	UK emissions allowances $'000	**Total $'000**
Cost:			
At 1 January 2021	162,312	–	162,312
Additions	10,141	10,052	20,193
Write-off of relinquished licences previously impaired	(72)	–	(72)
At 1 January 2022	**172,381**	**10,052**	**182,433**
Additions	**8,168**	**1,199**	**9,367**
Write-off of relinquished licences previously impaired	**(25,612)**	**–**	**(25,612)**
Disposal	**–**	**(10,052)**	**(10,052)**
At 31 December 2022	**154,937**	**1,199**	**156,136**
Accumulated impairment:			
At 1 January 2021 and 1 January 2022	(134,766)	–	(134,766)
Write-off of relinquished licences previously impaired	**25,128**	**–**	**25,128**
At 31 December 2022	**(109,638)**	**–**	**(109,638)**
Net carrying amount:			
At 31 December 2022	**45,299**	**1,199**	**46,498**
At 31 December 2021	37,615	10,052	47,667
At 1 January 2021	27,546	–	27,546

13. Inventories

Accounting policy

Inventories of consumable well supplies and inventories of hydrocarbons are stated at the lower of cost and NRV, cost being determined on an average cost basis.

	2022 $'000	2021 $'000
Hydrocarbon inventories	**19,613**	22,835
Well supplies	**56,805**	50,188
	76,418	73,023

During 2022, a net loss of $4.0 million was recognised within cost of sales in the Group income statement relating to inventory (2021: net gain of $0.4 million).

The inventory valuation at 31 December 2022 is stated net of a provision of $38.9 million (2021: $43.2 million) to write down well supplies to their estimated net realisable value. During the year, a portion of the provided for well supplies was disposed of, resulting in a net charge to the income statement of $0.8 million (2021: $0.2 million).

14. Cash and cash equivalents

Accounting policy

Cash and cash equivalents includes cash at bank, cash in hand, outstanding bank overdrafts and highly liquid interest-bearing securities with original maturities of three months or fewer.

	2022 $'000	2021 $'000
Available cash	**293,866**	276,970
Restricted cash	**7,745**	9,691
Cash and cash equivalents	**301,611**	286,661

The carrying value of the Group's cash and cash equivalents is considered to be a reasonable approximation to their fair value due to their short-term maturities.

Restricted cash

Included within the cash balance at 31 December 2022 is restricted cash of $7.7 million which has been placed on deposit in relation to bank guarantees for the Group's Malaysian assets. Included within the cash balance at 31 December 2021 was restricted cash of $9.7 million. This included $8.2 million on deposit relating to bank guarantees for the Group's Malaysian assets and $1.5 million related to cash collateralised letters of credit.

15. Financial instruments and fair value measurement

Accounting policy

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are offset and the net amount is reported in the Group balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis.

Financial assets

Financial assets are classified, at initial recognition, as amortised cost, fair value through other comprehensive income ('FVOCI'), or fair value through profit or loss ('FVPL'). The classification of financial assets at initial recognition depends on the financial assets' contractual cash flow characteristics and the Group's business model for managing them. The Group does not currently hold any financial assets at FVOCI, i.e. debt financial assets.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

Financial assets at amortised cost

Trade receivables, other receivables and joint operation receivables are measured initially at fair value and subsequently recorded at amortised cost, using the effective interest rate ('EIR') method, and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired and EIR amortisation is included within finance costs.

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Prepayments, which are not financial assets, are measured at historical cost.

Impairment of financial assets

The Group recognises a provision for expected credit loss ('ECL'), where material, for all financial assets held at the balance sheet date. ECLs are based on the difference between the contractual cash flows due to the Group, and the discounted actual cash flows that are expected to be received. Where there has been no significant increase in credit risk since initial recognition, the loss allowance is equal to 12-month expected credit losses. Where the increase in credit risk is considered significant, lifetime credit losses are provided. For trade receivables, a lifetime credit loss is recognised on initial recognition where material.

The provision rates are based on days past due for groupings of customer segments with similar loss patterns (i.e. by geographical region, product type, customer type and rating) and are based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are joint venture partners and there are no indications of change in risk. Generally, trade receivables are written off when they become past due for more than one year and are not subject to enforcement activity.

Financial liabilities

Financial liabilities are classified, at initial recognition, as amortised cost or at fair value through profit or loss.

Financial liabilities are derecognised when they are extinguished, discharged, cancelled or they expire. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Group income statement.

Financial liabilities at amortised cost

Loans and borrowings, trade payables and other creditors are measured initially at fair value net of directly attributable transaction costs and subsequently recorded at amortised cost, using the EIR method. Loans and borrowings are interest bearing. Gains and losses are recognised in profit or loss when the liability is derecognised and EIR amortisation is included within finance costs.

Financial instruments at fair value through profit or loss

The Group holds derivative financial instruments classified as held for trading, not designated as effective hedging instruments. The derivative financial instruments include forward currency contracts and commodity contracts, to address the respective risks; see note 27. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

15. Financial instruments and fair value measurement continued

Financial instruments at FVPL are carried in the Group balance sheet at fair value, with net changes in fair value recognised in the Group income statement. Unrealised mark-to-market changes in the remeasurement of open derivative contracts at each period end are recognised within remeasurements, with the recycling of realised amounts from remeasurements into Business performance income when a derivative instrument matures. Option premium received or paid for commodity derivatives are recognised in remeasurements.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVPL. Financial instruments with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group also holds contingent consideration (see note 22) and a listed equity investment (see note 19). The movements of both are recognised within remeasurements in the Group income statement.

Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

31 December 2022	Notes	Total $'000	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000
Financial assets measured at fair value:					
Derivative financial assets measured at FVPL					
Gas commodity contracts		**4,705**	–	**4,705**	–
Other financial assets measured at FVPL					
Quoted equity shares		**6**	**6**	–	–
Total financial assets measured at fair value		**4,711**	**6**	**4,705**	–
Liabilities measured at fair value:					
Derivative financial liabilities measured at FVPL					
Oil commodity derivative contracts	19	**46,537**	–	**46,537**	–
Forward UKA contracts	19	**4,429**	–	**4,429**	–
Other financial liabilities measured at FVPL					
Contingent consideration	22	**636,875**	–	–	**636,875**
Total liabilities measured at fair value		**687,841**	–	**50,966**	**636,875**
Liabilities measured at amortised cost for which fair values are disclosed below:					
Interest-bearing loans and borrowings	18	**417,967**	–	–	**417,967**
Obligations under leases	24	**482,066**	–	–	**482,066**
Retail bond 7.00%	18	**133,535**	**133,535**	–	–
Retail bond 9.00%	18	**153,754**	**153,754**	–	–
High yield bond 11.625%	18	**297,528**	**297,528**	–	–
Total liabilities measured at amortised cost for which fair values are disclosed		**1,484,850**	**584,817**	–	**900,033**

15. Financial instruments and fair value measurement continued

31 December 2021	Notes	Total $'000	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000
Financial assets measured at fair value:					
Derivative financial assets measured at FVPL					
Forward UKA contracts		90	–	90	–
Forward foreign currency contracts		382	–	382	–
Other financial assets measured at FVPL					
Quoted equity shares		6	6	–	–
Total financial assets measured at fair value		478	6	472	–
Liabilities measured at fair value:					
Derivative financial liabilities measured at FVPL					
Oil commodity derivative contracts	19	55,247	–	55,247	–
Other financial liabilities measured at FVPL					
Contingent consideration	22	410,778	–	–	410,778
Total liabilities measured at fair value		466,025	–	55,247	410,778
Liabilities measured at amortised cost for which fair values are disclosed below:					
Interest-bearing loans and borrowings	18	424,864	–	–	424,864
Obligations under leases	24	570,781	–	–	570,781
Retail bond 7.00%	18	244,387	244,387	–	–
High yield bond 7.00%	18	773,499	773,499	–	–
Total liabilities measured at amortised cost for which fair values are disclosed		2,013,531	1,017,886	–	995,645

Fair value hierarchy
All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly (i.e. as prices) or indirectly (i.e. derived from prices) observable;

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Derivative financial instruments are valued by counterparties, with the valuations reviewed internally and corroborated with readily available market data (Level 2). Contingent consideration is measured at FVPL using the Level 3 valuation processes disclosed in note 22. There have been no transfers between Level 1 and Level 2 during the period (2021: no transfers).

For the financial liabilities measured at amortised cost but for which fair value disclosures are required, the fair value of the bonds classified as Level 1 was derived from quoted prices for that financial instrument. Both interest-bearing loans and borrowings and obligations under finance leases were calculated using the discounted cash flow method to capture the present value (Level 3).

16. Trade and other receivables

	2022 $'000	2021 $'000
Current		
Trade receivables	**69,508**	94,992
Joint venture receivables	**95,854**	68,157
Under-lift position	**26,474**	35,769
Other recevables	**4,141**	11,703
	195,977	210,621
Prepayments and accrued income	**80,386**	85,447
	276,363	296,068

The carrying values of the Group's trade, joint venture and other receivables as stated above are considered to be a reasonable approximation to their fair value largely due to their short-term maturities. Under-lift is valued at the lower of cost or NRV at the prevailing balance sheet date (note 5(b)).

Trade receivables are non-interest-bearing and are generally on 15 to 30-day terms. Joint venture receivables relate to amounts billable to, or recoverable from, joint venture partners. Receivables are reported net of any ECL with no losses recognised as at 31 December 2022 or 2021.

17. Trade and other payables

	2022 $'000	2021 $'000
Current		
Trade payables	**34,661**	49,701
Accrued expenses	**349,668**	297,744
Over-lift position	**25,658**	53,742
Joint venture creditors	**11,957**	10,852
VAT payable	**4,167**	7,561
Other payables	**536**	944
	426,647	420,544

The carrying value of the Group's trade and other payables as stated above is considered to be a reasonable approximation to their fair value largely due to the short-term maturities. Certain trade and other payables will be settled in currencies other than the reporting currency of the Group, mainly in Sterling. Trade payables are normally non-interest-bearing and settled on terms of between 10 and 30 days.

Accrued expenses include accruals for capital and operating expenditure in relation to the oil and gas assets and interest accruals.

18. Loans and borrowings

	2022 $'000	2021 $'000
Borrowings	**413,358**	401,614
Bonds	**586,930**	1,081,596
	1,000,288	1,483,210

(a) Borrowings

The Group's borrowings are carried at amortised cost as follows:

	2022			2021		
	Principal $'000	Fees $'000	Total $'000	Principal $'000	Fees $'000	Total $'000
RBL facility	**400,000**	**(4,609)**	**395,391**	415,000	(23,250)	391,750
SVT working capital facility	**12,275**	**–**	**12,275**	9,864	–	9,864
Vendor loan facility	**5,692**	**–**	**5,692**	–	–	–
Total borrowings	**417,967**	**(4,609)**	**413,358**	424,864	(23,250)	401,614
Due within one year			**131,936**			210,505
Due after more than one year			**281,422**			191,109
Total borrowings			**413,358**			401,614

See liquidity risk – note 27 for the timing of cash outflows relating to loans and borrowings.

18. Loans and borrowings continued

Reserve Based Lending facility

In October 2022, the Group agreed an amended and restated RBL facility with commitments of $500.0 million, reducing in accordance with an amortisation schedule, a sub limit for drawings in the form of Letters of Credit of $75.0 million and a standard accordion facility which allowed the Group to increase commitments by an amount of up to $300.0 million on no more than three occasions. The maturity of the new facility is April 2027. Funds can only be drawn under the RBL to a maximum amount of the lesser of (i) the total commitments and (ii) the borrowing base amount. Interest accrued at 4.00% plus a combination of an agreed credit adjustment spread and Secured Overnight Financing Rate ('SOFR'). The amended and restated RBL facility replaced the Group's previous facility, which was signed on 11 June 2021 and accrued interest at 4.25% plus a combination of a fixed rate based on the interest period and SOFR (2021: 4.25% plus USD LIBOR). During 2022, EnQuest fully repaid the previous RBL facility prior to agreeing the amended and restated RBL facility.

As at 31 December 2022, the carrying value of the facility was $395.4 million (2021: $391.8 million), comprising the principal of $400.0 million out of commitments of $500.0 million (2021: $415.0 million out of commitments of $500.0 million) and unamortised fees of $4.6 million (2021: $23.3 million).

At 31 December 2022, after allowing for letter of credit utilisation of $52.7 million (2021: $53.0 million), $47.3 million (2021: $32.0 million) remained available for drawdown under the RBL.

SVT working capital facility

On 1 December 2020, EnQuest extended, for a further three years, the £42.0 million revolving loan facility with a joint operator partner to fund the short-term working capital cash requirements of SVT and associated interests. The facility is guaranteed by BP EOC Limited until the earlier of a) the date on which production from Magnus permanently ceases; or b) if the operating agreements for both SVT and associated infrastructure are amended to allow for cash calling. The facility is able to be drawn down against, in instalments, and accrues interest at 1.0% per annum plus GBP Sterling Over Night Index Average ('SONIA').

Vendor loan facility

In December 2022, the Group agreed a facility with a third party vendor refinancing the payment of existing invoices up to an amount of £7.5 million. At 31 December 2022, an amount of £4.7 million was drawn down on the facility repayable in June 2023. Interest is payable monthly at a rate of 8.00% per annum.

(b) Bonds

The Group's bonds are carried at amortised cost as follows:

	2022			2021		
	Principal $'000	**Fees and discount $'000**	**Total $'000**	Principal $'000	Fees and discount $'000	Total $'000
High yield bond 7.00%	**–**	**–**	**–**	827,166	(1,725)	825,441
High yield bond 11.625%	**305,000**	**(13,815)**	**291,185**	–	–	–
Retail bond 7.00%	**134,544**	**–**	**134,544**	256,574	(419)	256,155
Retail bond 9.00%	**161,201**	**–**	**161,201**	–	–	–
Total	**600,745**	**(13,815)**	**586,930**	1,083,740	(2,144)	1,081,596
Due within one year	**134,544**	**–**	**134,544**	–	–	–
Due after more than one year	**466,201**	**(13,815)**	**452,386**	1,083,740	(2,144)	1,081,596
Total	**600,745**	**(13,815)**	**586,930**	1,083,740	(2,144)	1,081,596

High yield bond 7.00%

In October 2022, the Group redeemed the full outstanding balance of $792.3 million ahead of its maturity in October 2023. At 31 December 2021, the carrying value of the bond was $825.4 million. This included bond principal of $827.2 million less unamortised fees of $1.7 million. In 2021, the high yield bond did not include accrued interest of $12.2 million, which is reported within trade and other payables.

High yield bond 11.625%

In October 2022, the Group concluded an offer of $305.0 million for a US Dollar high yield bond. The notes accrue a fixed coupon of 11.625% payable semi-annually in arrears with a maturity date of November 2027.

The above carrying value of the bond as at 31 December 2022 is $291.2 million. This includes bond principal of $305.0 million less the original issue discount ('OID') of $4.2 million and unamortised fees of $9.6 million. The high yield bond does not include accrued interest of $6.5 million, which is reported within trade and other payables. The fair value of the high yield bond 11.625% is disclosed in note 15.

Retail bond 7.00%

In 2013, the Group issued a £155.0 million retail bond. On 21 November 2016, the retail bond was amended pursuant to a scheme of arrangement whereby all existing notes were exchanged for new notes, accruing a fixed coupon of 7.00% payable semi-annually in arrears. The interest is only payable in cash if the 'Cash Payment Condition' is satisfied, being the average of the Daily Brent Oil Prices during the period of six calendar months immediately preceding the 'Cash Payment Condition Determination Date' is equal to or above $65/bbl. The 'Cash Payment Condition Determination Date' is the date falling one calendar month prior to the relevant interest payment date. If the 'Cash Payment Condition' is not satisfied, interest will not be paid in cash but instead will be capitalised and satisfied through the issue of additional retail notes ('Additional Retail Notes').

18. Loans and borrowings continued

On 27 April 2022, following a successful partial exchange and cash offer, £79.3 million of the retail bond 7.00% were exchanged for the retail bond 9.00%. This resulted in a reduction of principal by $104.4 million.

The above carrying value of the bond as at 31 December 2022 is $134.5 million (2021: $256.2 million). This includes bond principal of $134.5 million (2021: $256.6 million) less unamortised fees of nil (2021: $0.4 million), with the prior unamortised amount of fees recognised in the income statement in 2022 upon completion of the refinancing via the partial exchange and cash offer noted above. The retail bond does not include accrued interest of $2.6 million (2021: $6.2 million), which is reported within trade and other payables. The fair value of the retail bond 7.00% is disclosed in note 15.

Retail bond 9.00%

On 27 April 2022, the Group issued a new 9.00% retail bond following a successful partial exchange and cash offer. The principal of the retail bond 9.00% raised by the partial exchange and cash offer totalled £133.3 million. The notes accrue a fixed coupon of 9.00% payable semi-annually in arrears and are due to mature in October 2027.

The above carrying value of the bond as at 31 December 2022 is $161.2 million. All fees associated with this offer were recognised in the income statement in 2022. The retail bond 9.00% does not include accrued interest of $3.6 million, which is reported within trade and other payables. The fair value of the retail bond 9.00% is disclosed in note 15.

19. Other financial assets and financial liabilities

(a) Summary as at year end

	2022		2021	
	Assets $'000	Liabilities $'000	Assets $'000	Liabilities $'000
Fair value through profit or loss:				
Derivative commodity contracts	**4,705**	**46,537**	–	55,245
Derivative foreign exchange contracts	**–**	**–**	382	–
Commodity futures	**–**	**–**	–	2
Derivative UKA contracts	**–**	**4,429**	90	–
Total current	**4,705**	**50,966**	472	55,247
Fair value through profit or loss:				
Quoted equity shares	**6**	**–**	6	–
Total non-current	**6**	**–**	6	–

(b) Income statement impact

The income/(expense) recognised for derivatives are as follows:

	Revenue and other operating income		Cost of sales	
Year ended 31 December 2022	Realised $'000	Unrealised $'000	Realised $'000	Unrealised $'000
Commodity options	**(204,943)**	**20,401**	**–**	**–**
Commodity swaps	**(86)**	**(5,928)**	**–**	**–**
Commodity futures	**1,288**	**2**	**–**	**–**
Foreign exchange contracts	**–**	**–**	**(5,158)**	**(381)**
UKA contracts	**–**	**–**	**(260)**	**(4,519)**
	(203,741)	**14,475**	**(5,418)**	**(4,900)**

	Revenue and other operating income		Cost of sales	
Year ended 31 December 2021	Realised $'000	Unrealised $'000	Realised $'000	Unrealised $'000
Commodity options	(62,016)	(55,570)	–	–
Commodity swaps	(4,258)	1,121	–	–
Commodity futures	985	(2)	–	–
Foreign exchange contracts	–	–	(4)	382
UKA contracts	–	–	10,697	90
	(65,289)	(54,451)	10,693	472

19. Other financial assets and financial liabilities continued

(c) Commodity contracts

The Group uses derivative financial instruments to manage its exposure to the oil price, including put and call options, swap contracts and futures.

For the year ended 31 December 2022, losses totalling $189.3 million (2021: losses of $119.7 million) were recognised in respect of commodity contracts designated as FVPL. This included losses totalling $203.7 million (2021: losses of $65.3 million) realised on contracts that matured during the year, and mark-to-market unrealised gains totalling $14.5 million (2021: losses of $54.5 million). Of the realised amounts recognised during the year, a loss of $1.3 million (2021: losses of $1.0 million) was realised in Business performance revenue in respect of the premium expense received on sale of these options.

The mark-to-market value of the Group's open commodity contracts as at 31 December 2022 was a liability of $46.5 million (2021: liability of $55.2 million).

(d) Foreign currency contracts

The Group enters into a variety of foreign currency contracts, primarily in relation to Sterling. During the year ended 31 December 2022, losses totalling $5.4 million (2021: gains of $0.4 million) were recognised in the Group income statement. This included realised losses totalling $5.2 million (2021: gains of $0.1 million) on contracts that matured in the year.

The mark-to-market value of the Group's open contracts as at 31 December 2022 was nil (2021: $0.4 million).

(e) UK emissions allowance forward contracts

The Group enters into forward contracts for the purchase of UKAs to manage its exposure to price. During 2021, a number of open contracts were closed out early resulting in gains totalling $10.8 million, including realised gains totalling $10.7 million that matured in the year. The result of this was that the Group is required to account for UKA forwards as derivatives. During the year ended 31 December 2022, no open contracts were closed out early.

The mark-to-market value of the Group's open contracts as at 31 December 2022 was $4.4 million (2021: $0.1 million).

(f) Other receivables

	2022 $'000	2021 $'000
At 1 January	**6**	7
Change in fair value	**–**	(1)
At 31 December	**6**	6
Non-current	**6**	6
	6	6

20. Share capital and premium

Accounting policy

Share capital and share premium

The balance classified as equity share capital includes the total net proceeds (both nominal value and share premium) on issue of registered share capital of the parent company. Share issue costs associated with the issuance of new equity are treated as a direct reduction of proceeds. The share capital comprises only one class of Ordinary share. Each Ordinary share carries an equal voting right and right to a dividend.

Retained earnings

Retained earnings contain the accumulated profits/(losses) of the Group.

Share-based payments reserve

Equity-settled share-based payment transactions are measured at the fair value of the services received, and the corresponding increase in equity is recorded. EnQuest PLC shares held by the Group in the Employee Benefit Trust are recognised at cost and are deducted from the share-based payments reserve. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from the sale and the original cost being taken to reserves. No gain or loss is recognised in the Group income statement on the purchase, sale, issue or cancellation of equity shares.

Authorised, issued and fully paid	Ordinary shares of £0.05 each Number	Share capital $'000	Share premium $'000	Total $'000
At 1 January 2022 and 31 December 2022	**1,885,924,339**	**131,650**	**260,546**	**392,196**

At 31 December 2022, there were 21,663,181 shares held by the Employee Benefit Trust (2021: 39,718,323). The movement in the year was due to shares used to satisfy awards made under the Company's share-based incentive schemes.

21. Share-based payment plans

Accounting policy

Eligible employees (including Executive Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares of EnQuest PLC.

Information on these plans for Executive Directors is shown in the Directors' Remuneration Report on pages 94 to 97.

The cost of these equity-settled transactions is measured by reference to the fair value at the date on which they are granted. The fair value of awards is calculated in reference to the scheme rules at the market value, being the average middle market quotation of a share for the three immediately preceding dealing days as derived from the Daily Official List of the London Stock Exchange, provided such dealing days do not fall within any period when dealings in shares are prohibited because of any dealing restriction.

The cost of equity-settled transactions is recognised over the vesting period in which the relevant employees become fully entitled to the award. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The Group income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

In valuing the transactions, no account is taken of any service or performance conditions, other than conditions linked to the price of the shares of EnQuest PLC (market conditions) or 'non-vesting' conditions, if applicable. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions are satisfied. Equity awards cancelled are treated as vesting immediately on the date of cancellation, and any expense not previously recognised for the award at that date is recognised in the Group income statement.

The Group operates a number of equity-settled employee share plans under which share units are granted to the Group's senior leaders and certain other employees. These plans typically have a three-year performance or restricted period. Leaving employment will normally preclude the conversion of units into shares, but special arrangements apply for participants that leave for qualifying reasons.

The share-based payment expense recognised for each scheme was as follows:

	2022 $'000	2021 $'000
Performance Share Plan	**3,264**	5,241
Other performance share plans	**261**	135
Sharesave Plan	**1,194**	975
	4,719	6,351

The following table shows the number of shares potentially issuable under equity-settled employee share plans, including the number of options outstanding and the number of options exercisable at the end of each year.

Share plans	**2022 Number**	2021 Number
Outstanding at 1 January	**125,493,995**	110,263,670
Granted during the year	**17,368,011**	35,552,383
Exercised during the year	**(15,712,039)**	(8,056,525)
Forfeited during the year	**(24,878,703)**	(12,265,533)
Outstanding at 31 December	**102,271,264**	125,493,995
Exercisable at 31 December	**10,490,719**	14,249,920

In addition, the Group operates an approved savings-related share option scheme (the Sharesave Plan). The plan is based on eligible employees being granted options and their agreement to opening a Sharesave account with a nominated savings carrier and to save over a specified period, either three or five years. The right to exercise the option is at the employee's discretion at the end of the period previously chosen, for a period of six months.

21. Share-based payment plans continued

The following table shows the number of shares potentially issuable under equity-settled employee share option plans, including the number of options outstanding, the number of options exercisable at the end of each year and the corresponding weighted average exercise prices.

Share options	2022 Number	2022 Weighted average exercise price $	2021 Number	2021 Weighted average exercise price $
Outstanding at 1 January	**37,518,927**	**0.14**	42,383,654	0.13
Granted during the year	**1,292,788**	**0.32**	1,370,748	0.25
Exercised during the year	**(2,150,313)**	**0.17**	(885,646)	0.10
Forfeited during the year	**(3,353,153)**	**0.14**	(5,349,829)	0.15
Outstanding at 31 December	**33,308,249**	**0.14**	37,518,927	0.14
Exercisable at 31 December	**445,318**	**0.17**	422,981	0.16

22. Contingent consideration

Accounting policy

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration depicted below is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity if any, is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Contingent consideration is discounted at a risk free rate combined with a risk premium, calculated in alignment with IFRS 13 and the unwinding of the discount is presented within finance costs.

Any contingent consideration included in the consideration payable for an asset acquisition is recorded at fair value at the date of acquisition and included in the initial measurement of cost. Subsequent measurement changes relating to the variable consideration are capitalised as part of the asset value if it is probable that future economic benefits associated with the asset will flow to the Group and can be measured reliably.

	Magnus 75% $'000	Magnus decommissioning-linked liability $'000	Golden Eagle $'000	Total $'000
At 31 December 2021	**344,627**	**20,976**	**45,175**	**410,778**
Change in fair value (see note 5(d))	**233,570**	**(1,070)**	**–**	**232,500**
Unwinding of discount (see note 6)	**34,463**	**1,947**	**3,162**	**39,572**
Utilisation	**(45,975)**	**–**	**–**	**(45,975)**
At 31 December 2022	**566,685**	**21,853**	**48,337**	**636,875**
Classified as:				
Current	**72,264**	**2,597**	**48,337**	**123,198**
Non-current	**494,421**	**19,256**	**–**	**513,677**
	566,685	**21,853**	**48,337**	**636,875**

22. Contingent consideration continued

75% Magnus acquisition contingent consideration

On 1 December 2018, EnQuest completed the acquisition of the additional 75% interest in the Magnus oil field ('Magnus') and associated interests (collectively the 'Transaction assets') which was part funded through a vendor loan and profit share arrangement with bp.

The consideration for the acquisition was $300.0 million, consisting of $100.0 million cash contribution, paid from the funds received through the rights issue undertaken in October 2018, and $200.0 million deferred consideration financed by bp. The deferred consideration financed by bp was fully settled in June 2021. The consideration also included a contingent profit-sharing arrangement whereby EnQuest and bp share the net cash flow generated by the 75% interest on a 50:50 basis, subject to a cap of $1.0 billion received by bp. Together, the deferred consideration and contingent profit-sharing arrangement are known as contingent consideration. The contingent consideration is a financial liability classified as measured at fair value through profit or loss. The fair value of contingent consideration has been determined by calculating the present value of the future expected cash flows expected to be paid and is considered a Level 3 valuation under the fair value hierarchy. Future cash flows are estimated based on inputs including future oil prices, production volumes and operating costs. Oil price assumptions and discount rate assumptions used were as disclosed in Use of judgements, estimates and assumptions within note 2. The contingent consideration was fair valued at 31 December 2022, which resulted in an increase in fair value of $233.6 million (2021: decrease of $145.3 million). The increase in fair value in 2022 is a result of the Group's higher long-term oil price assumptions and changes in asset profiles and cost assumptions. The decrease in 2021 reflected revised operating cost assumptions. The fair value accounting effect and finance costs of $34.5 million (2021: $57.0 million) on the contingent consideration were recognised through remeasurements and exceptional items in the Group income statement. The contingent profit-sharing arrangement cap of $1.0 billion has been met in 2022 in the present value calculations (2021: cap was not met). Within the statement of cash flows, the profit share element of the repayment, $46.0 million (2021: $1.0 million) is disclosed separately under investing activities; in 2021, the repayment of the vendor loan of $73.7 million was disclosed under financing activities; and the interest paid on the vendor loan of $6.2 million was included within interest paid under financing activities. At 31 December 2022, the contingent consideration for Magnus was $566.7 million (31 December 2021: $344.6 million).

Management has considered alternative scenarios to assess the valuation of the contingent consideration including, but not limited to, the key accounting estimate relating to discount rate, the oil price and the interrelationship with production and the profit-share arrangement. A 1.0% reduction in the discount rate applied, which is considered a reasonably possible change given the prevailing macroeconomic conditions, would increase contingent consideration by $23.0 million. A 1.0% increase would decrease contingent consideration by $21.5 million. As the profit-sharing cap of $1.0 billion has been met in 2022 in the present value calculations, sensitivity analysis has only been undertaken on a reduction in the price assumptions of 10%, which is considered to be a reasonably possible change. This results in a reduction of $73.6 million to the contingent consideration (2021: reduction of $85.1 million and 10% increase in price assumptions results in an increase of $85.1 million). The change in value represents a change in timing of cash flows.

The payment of contingent consideration is limited to cash flows generated from Magnus. Therefore, no contingent consideration is payable if insufficient cash flows are generated over and above the requirements to operate the asset. By reference to the conditions existing at 31 December 2022, the maturity analysis of the contingent consideration is disclosed in Risk management and financial instruments: liquidity risk (note 27).

Magnus decommissioning-linked contingent consideration

As part of the Magnus and associated interests acquisition, bp retained the decommissioning liability in respect of the existing wells and infrastructure and EnQuest agreed to pay additional consideration in relation to the management of the physical decommissioning costs of Magnus. At 31 December 2022, the amount due to bp calculated on an after-tax basis by reference to 30% of bp's decommissioning costs on Magnus was $21.9 million (2021: $21.0 million). Any reasonably possible change in assumptions would not have a material impact on the provision.

Golden Eagle contingent consideration

On 22 October 2021, the Group completed the acquisition of the entire 26.69% non-operated working interest in the Golden Eagle Area Development, comprising the producing Golden Eagle, Peregrine and Solitaire fields. The consideration for the acquisition included an amount that was contingent on the average oil price between July 2021 and June 2023. The contingent consideration is payable in the second half of 2023, if between July 2021 and June 2023 the Dated Brent average crude price equals or exceeds $55/bbl, upon which $25.0 million is payable, or if the Dated Brent average crude price equals or exceeds $65/bbl, upon which $50.0 million is payable. The contingent consideration liability is discounted at 7.00%, based on an appropriate credit risk premium at the time of acquisition, and is calculated principally based on the oil price assumptions as disclosed in note 2. At 31 December 2022, the contingent consideration was valued at $48.3 million (2021: $45.2 million). Any reasonably possible change in assumptions would not have a material impact on the provision.

23. Provisions

Accounting policy

Decommissioning

Provision for future decommissioning costs is made in full when the Group has an obligation: to dismantle and remove a facility or an item of plant; to restore the site on which it is located; and when a reasonable estimate of that liability can be made. The Group's provision primarily relates to the future decommissioning of production facilities and pipelines.

23. Provisions continued

A decommissioning asset and liability are recognised, within property, plant and equipment and provisions respectively, at the present value of the estimated future decommissioning costs. The decommissioning asset is amortised over the life of the underlying asset on a unit of production basis over proven and probable reserves, included within depletion in the Group income statement. Any change in the present value of estimated future decommissioning costs is reflected as an adjustment to the provision and the oil and gas asset for producing assets. For assets that have ceased production, the change in estimate is reflected as an adjustment to the provision and the Group Income Statement, via other income or expense. The unwinding of the decommissioning liability is included under finance costs in the Group income statement.

These provisions have been created based on internal and third-party estimates. Assumptions based on the current economic environment have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning liabilities is likely to depend on the dates when the fields cease to be economically viable. This in turn depends on future oil prices, which are inherently uncertain. See Use of judgements, estimates and assumptions: provisions within note 2.

Other

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

	Decommissioning provision $'000	Thistle decommissioning provision $'000	Other provisions $'000	Total $'000
At 31 December 2021	**835,721**	**43,930**	**15,291**	**894,942**
Additions during the year(i)	**2,814**	**–**	**1,423**	**4,237**
Changes in estimates(i)	**(115,493)**	**(6,060)**	**(1,373)**	**(122,926)**
Unwinding of discount	**16,995**	**777**	**–**	**17,772**
Utilisation	**(48,452)**	**(5,832)**	**(962)**	**(55,246)**
Foreign exchange	**(1)**	**(95)**	**(1,013)**	**(1,109)**
At 31 December 2022	**691,584**	**32,720**	**13,366**	**737,670**
Classified as:				
Current	**47,883**	**9,086**	**13,366**	**70,335**
Non-current	**643,701**	**23,634**	**–**	**667,335**
	691,584	**32,720**	**13,366**	**737,670**

(i) Includes $36.8 million relating to assets in decommissioning disclosed in note 5(d) and $75.9 million related to producing assets disclosed in note 10

Decommissioning provision

The Group's total provision represents the present value of decommissioning costs which are expected to be incurred up to 2048, assuming no further development of the Group's assets. Additions during the year relate to the decommissioning provision recognised due to drilling of new wells in Magnus and Golden Eagle. Changes in estimates during the year primarily reflect an increase in the Group's discount rate to 3.5% (2021: 2.0%) as detailed in note 2, partially offset by the net effect of underlying increases in cost estimates. At 31 December 2022, an estimated $407.0 million is expected to be utilised between one and five years (2021: $409.6 million), $67.6 million within six to ten years (2021: $81.4 million), and the remainder in later periods.

The Group enters into surety bonds principally to provide security for its decommissioning obligations. The surety bond facilities which expired in December 2021 were renewed for 12 months, subject to ongoing compliance with the terms of the Group's borrowings. At 31 December 2022, the Group held surety bonds totalling $227.6 million (2021: $240.8 million).

Thistle decommissioning provision

In 2017, EnQuest had the option to receive $50.0 million from bp in exchange for undertaking the management of the physical decommissioning activities for Thistle and Deveron and making payments by reference to 7.5% of bp's share of decommissioning costs of Thistle and Deveron fields. The option was exercised in full during 2018 and the liability recognised within provisions. At 31 December 2022, the amount due to bp by reference to 7.5% of bp's decommissioning costs on Thistle and Deveron was $32.7 million (2021: $43.9 million). For the year ended 31 December 2022, change in estimates of $6.1 million are included within other income (2021: $6.2 million other expenses) and unwinding of discount of $0.8 million is included within finance income (2021: $1.1 million).

Other provisions

During 2020, a riser at the Seligi Alpha platform which provides gas lift and injection to the Seligi Bravo platform detached. A provision with respect to required repairs to remedy the damage caused was established. During 2022, $0.3 million was utilised with a foreign exchange impact of $0.5 million. At 31 December 2022, the provision was $0.7 million (31 December 2021: $1.5 million).

23. Provisions continued

During 2021, the Group recognised $8.2 million in relation to disputes with third-party contractors. In 2022, one dispute was settled for $0.5 million and the other dispute is ongoing. At 31 December 2022, the provision was $7.5 million (31 December 2021: $8.2 million). The Group expects the dispute to be settled in 2023.

24. Leases

Accounting policy

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease, or, if that rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate is the rate that the Group would have to pay for a loan of a similar term, and with similar security, to obtain an asset of similar value. The incremental borrowing rate is determined based on a series of inputs including: the term, the risk-free rate based on government bond rates and a credit risk adjustment based on EnQuest bond yields.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently recorded at amortised cost, using the effective interest rate method. The liability is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Group did not make any such adjustments during the periods presented.

The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date. It also applies the low-value assets recognition exemption to leases of assets below £5,000. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

The Group applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included within 'cost of sales' or 'general and administration expenses' in the Group income statement.

For leases within joint ventures, the Group assesses on a lease-by-lease basis the facts and circumstances. This relates mainly to leases of vessels. Where all parties to a joint operation jointly have the right to control the use of the identified asset and all parties have a legal obligation to make lease payments to the lessor, the Group's share of the right-of-use asset and its share of the lease liability will be recognised on the Group balance sheet. This may arise in cases where the lease is signed by all parties to the joint operation or the joint operation partners are named within the lease. However, in cases where EnQuest is the only party with the legal obligation to make lease payments to the lessor, the full lease liability and right-of-use asset will be recognised on the Group balance sheet. This may be the case if, for example, EnQuest, as operator of the joint operation, is the sole signatory to the lease. If the underlying asset is used for the performance of the joint operation agreement, EnQuest will recharge the associated costs in line with the joint operating agreement.

As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head-lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head-lease.

24. Leases continued

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

Right-of-use assets and lease liabilities

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets $'000	Lease liabilities $'000
As at 31 December 2020	496,442	647,846
Additions in the period	17,815	17,815
Depreciation expense	(63,953)	–
Impairment reversal	15,669	–
Disposal	(2,580)	(3,121)
Interest expense	–	45,359
Payments	–	(136,651)
Foreign exchange movements	–	(467)
As at 31 December 2021	**463,393**	**570,781**
Additions in the period (see note 10)	**28,394**	**28,130**
Depreciation expense (see note 10)	**(57,864)**	**–**
Impairment charge (see note 10)	**(2,991)**	**–**
Disposal	**(1,554)**	**(1,432)**
Interest expense	**–**	**39,172**
Payments	**–**	**(147,971)**
Foreign exchange movements	**–**	**(6,614)**
As at 31 December 2022	**429,378**	**482,066**
Current		**119,100**
Non-current		**362,966**
		482,066

The Group leases assets including the Kraken FPSO, property and oil and gas vessels, with a weighted average lease term of four years. The maturity analysis of lease liabilities is disclosed in note 27.

Amounts recognised in profit or loss

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Depreciation expense of right-of-use assets	**57,864**	63,953
Interest expense on lease liabilities	**39,172**	45,359
Rent expense – short-term leases	**7,116**	5,198
Rent expense – leases of low-value assets	**50**	5
Total amounts recognised in profit or loss	**104,202**	114,515

Amounts recognised in statement of cash flows

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Total cash outflow for leases	**147,971**	136,651

24. Leases continued

Leases as lessor

The Group sub-leases part of Annan House, the Aberdeen office. The sub-lease is classified as an operating lease, as all the risks and rewards incidental to the ownership of the right-of-use asset are not all substantially transferred to the lessee. Rental income recognised by the Group during 2022 was $1.5 million (2021: $1.7 million).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

	2022 $'000	2021 $'000
Less than one year	**2,313**	2,206
One to two years	**2,542**	2,206
Two to three years	**1,905**	2,206
Three to four years	**822**	2,206
Four to five years	**824**	2,206
More than five years	**3,710**	1,204
Total undiscounted lease payments	**12,116**	12,234

25. Commitments and contingencies

Capital commitments

At 31 December 2022, the Group had capital commitments amounting to $9.5 million (2021: $1.9 million).

Other commitments

In the normal course of business, the Group will obtain surety bonds, letters of credit and guarantees. At 31 December 2022, the Group held surety bonds totalling $227.6 million (2021: $240.8 million) to provide security for its decommissioning obligations. See note 23 for further details.

Contingencies

The Group becomes involved from time to time in various claims and lawsuits arising in the ordinary course of its business. Outside of those already provided, the Group is not, nor has been during the past 12 months, involved in any governmental, legal or arbitration proceedings which, either individually or in the aggregate, have had, or are expected to have, a material adverse effect on the Group balance sheet or profitability. Nor, so far as the Group is aware, are any such proceedings pending or threatened.

26. Related party transactions

The Group financial statements include the financial statements of EnQuest PLC and its subsidiaries. A list of the Group's principal subsidiaries is contained in note 28 to these Group financial statements.

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

All sales to and purchases from related parties are made at normal market prices and the pricing policies and terms of these transactions are approved by the Group's management. With the exception of the transactions disclosed below, there have been no transactions with related parties who are not members of the Group during the year ended 31 December 2022 (2021: none).

Compensation of key management personnel

The following table details remuneration of key management personnel of the Group. Key management personnel comprise Executive and Non-Executive Directors of the Company and the Executive Committee.

	2022 $'000	2021 $'000
Short-term employee benefits	**6,195**	6,890
Share-based payments	**3,049**	810
Post-employment pension benefits	**164**	215
Termination payments	**228**	–
	9,636	7,915

27. Risk management and financial instruments

Risk management objectives and policies

The Group's principal financial assets and liabilities comprise trade and other receivables, cash and cash equivalents, interest-bearing loans, borrowings and finance leases, derivative financial instruments and trade and other payables. The main purpose of the financial instruments is to manage short-term cash flow.

The Group's activities expose it to various financial risks particularly associated with fluctuations in oil price, foreign currency risk, liquidity risk and credit risk. Management reviews and agrees policies for managing each of these risks, which are summarised below. Also presented below is a sensitivity analysis to indicate sensitivity to changes in market variables on the Group's financial instruments and to show the impact on profit and shareholders' equity, where applicable. The sensitivity has been prepared for periods ended 31 December 2022 and 2021, using the amounts of debt and other financial assets and liabilities held at those reporting dates.

Commodity price risk – oil prices

The Group is exposed to the impact of changes in Brent oil prices on its revenues and profits generated from sales of crude oil.

The Group's policy is to have the ability to hedge oil prices up to a maximum of 75% of the next 12 months' production on a rolling annual basis, up to 60% in the following 12-month period and 50% in the subsequent 12-month period. On a rolling quarterly basis, under the RBL facility, the Group is required to hedge a minimum of 45% of volumes of net entitlement production expected to be produced in the next 12 months, and between 35% and 15% of volumes of net entitlement production expected for the following 12 months dependent on the proportion of the facility that is utilised. This requirement ceases at the end date of the facility.

Details of the commodity derivative contracts entered into during and open at the end of 2022 are disclosed in note 19. As of 31 December 2022, the Group held financial instruments (options and swaps) related to crude oil that covered 3.5 MMbbls of 2023 production. The instruments have an effective average floor price of around $56/bbl in 2023. The Group utilises multiple benchmarks when hedging production to achieve optimal results for the Group. No derivatives were designated in hedging relationships at 31 December 2022.

The following table summarises the impact on the Group's pre-tax profit of a reasonably possible change in the Brent oil price, on the fair value of derivative financial instruments, with all other variables held constant. The impact in equity is the same as the impact on profit before tax.

	Pre-tax profit	
	+$10/bbl increase $'000	-$10/bbl decrease $'000
31 December 2022	**(25,321)**	**19,922**
31 December 2021	(91,755)	55,267

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from movements in currency exchange rates. Such exposure arises from sales or purchases in currencies other than the Group's functional currency and the 7.00% retail bond which is denominated in Sterling. To mitigate the risks of large fluctuations in the currency markets, the hedging policy agreed by the Board allows for up to 70% of the non-US Dollar portion of the Group's annual capital budget and operating expenditure to be hedged. For specific contracted capital expenditure projects, up to 100% can be hedged. Approximately 26% (2021: 18%) of the Group's sales and 85% (2021: 89%) of costs (including operating and capital expenditure and general and administration costs) are denominated in currencies other than the functional currency.

The Group also enters into foreign currency swap contracts from time to time to manage short-term exposures. The following tables summarise the Group's financial assets and liabilities exposure to foreign currency.

Year ended 31 December 2022	**USD $'000**	**GBP $'000**	**MYR $'000**	**Other $'000**	**Total $'000**
Total financial assets	**–**	**45,732**	**38,664**	**746**	**85,142**
Total financial liabilities	**–**	**502,307**	**13,202**	**151**	**515,660**

Year ended 31 December 2021	USD $'000	GBP $'000	MYR $'000	Other $'000	Total $'000
Total financial assets	–	103,253	34,255	3,967	141,475
Total financial liabilities	–	635,840	21,058	839	657,737

27. Risk management and financial instruments continued

The following table summarises the sensitivity to a reasonably possible change in the US Dollar to Sterling foreign exchange rate, with all other variables held constant, of the Group's profit before tax due to changes in the carrying value of monetary assets and liabilities at the reporting date. The impact in equity is the same as the impact on profit before tax. The Group's exposure to foreign currency changes for all other currencies is not material:

	Pre-tax profit	
	+$10% rate increase $'000	-$10% rate decrease $'000
31 December 2022	**(50,615)**	**50,615**
31 December 2021	(50,695)	50,695

Credit risk

Credit risk is managed on a Group basis. Credit risk in financial instruments arises from cash and cash equivalents and derivative financial instruments where the Group's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. For banks and financial institutions, only those rated with an A-/A3 credit rating or better are accepted. Cash balances can be invested in short-term bank deposits and AAA-rated liquidity funds, subject to Board-approved limits and with a view to minimising counterparty credit risks.

In addition, there are credit risks of commercial counterparties including exposures in respect of outstanding receivables. The Group trades only with recognised international oil and gas companies, commodity traders and shipping companies and at 31 December 2022 there were nil trade receivables past due but not impaired (2021: $0.2 million) and $0.1 million of joint venture receivables past due (2021: nil) but not impaired. Subsequent to the year end, none of these outstanding balances have been collected (2021: $0.1 million). Receivable balances are monitored on an ongoing basis with appropriate follow-up action taken where necessary. The impact of ECL is disclosed in note 16.

Ageing of past due but not impaired receivables	2022 $'000	2021 $'000
Less than 30 days	**–**	–
30–60 days	**–**	30
60–90 days	**–**	146
90–120 days	**–**	–
120+ days	**123**	–
	123	176

At 31 December 2022, the Group had two customers accounting for 79% of outstanding trade receivables (2021: one customer, 84%) and one joint venture partner accounting for 25% of outstanding joint venture receivables (2021: one joint venture partner, 20%).

Liquidity risk

The Group monitors its risk of a shortage of funds by reviewing its cash flow requirements on a regular basis relative to its existing bank facilities and the maturity profile of its borrowings. Specifically, the Group's policy is to ensure that sufficient liquidity or committed facilities exist within the Group to meet its operational funding requirements and to ensure the Group can service its debt and adhere to its financial covenants. At 31 December 2022, $47.3 million (2021: $32.0 million) was available for drawdown under the Group's facilities (see note 18).

The following tables detail the maturity profiles of the Group's non-derivative financial liabilities including projected interest thereon. The amounts in these tables are different from the balance sheet as the table is prepared on a contractual undiscounted cash flow basis and includes future interest payments.

The payment of contingent consideration is limited to cash flows generated from Magnus (see note 22). Therefore, no contingent consideration is payable if insufficient cash flows are generated over and above the requirements to operate the asset and there is no exposure to liquidity risk. By reference to the conditions existing at the reporting period end, the maturity analysis of the contingent consideration is disclosed below. All of the Group's liabilities, except for the RBL facility, are unsecured.

27. Risk management and financial instruments continued

Year ended 31 December 2022	On demand $'000	Up to 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Over 5 years $'000	Total $'000
Loans and borrowings	–	163,223	175,400	152,000	–	490,623
Bonds(i)	–	194,991	49,919	615,449	–	860,359
Contingent considerations	–	126,910	85,267	327,642	400,480	940,299
Obligations under finance leases	–	151,621	127,592	256,139	37,693	573,045
Trade and other payables	–	426,643	–	–	–	426,643
	–	1,063,388	438,178	1,351,230	438,173	3,290,969

(i) Maturity analysis profile for the Group's bonds includes semi-annual coupon interest. The interest relating to the retail bond 7.00% is only payable in cash if the average dated Brent oil price is equal to or greater than $65/bbl for the six months preceding one month before the coupon payment date (see note 18)

Year ended 31 December 2021	On demand $'000	Up to 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Over 5 years $'000	Total $'000
Loans and borrowings	–	241,937	204,081	–	–	446,018
Bonds(i)	–	75,862	1,162,595	–	–	1,238,457
Contingent considerations	–	26,225	68,947	115,485	183,969	394,626
Obligations under finance leases	–	125,374	95,464	311,276	35,844	567,958
Trade and other payables	–	420,543	–	–	–	420,543
	–	889,941	1,531,087	426,761	219,813	3,067,602

(i) Maturity analysis profile for the Group's bonds includes semi-annual coupon interest. This interest is only payable in cash if the average dated Brent oil price is equal to or greater than $65/bbl for the six months preceding one month before the coupon payment date (see note 18)

The following tables detail the Group's expected maturity of payables for its derivative financial instruments. The amounts in these tables are different from the balance sheet as the table is prepared on a contractual undiscounted cash flow basis. When the amount receivable or payable is not fixed, the amount disclosed has been determined by reference to a projected forward curve at the reporting date.

Year ended 31 December 2022	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 2 years $'000	Over 2 years $'000	Total $'000
Commodity derivative contracts	9,549	27,496	15,553	–	–	52,598
Other derivative contracts	880	4,429	–	–	–	5,309
	10,429	31,925	15,553	–	–	57,907

Year ended 31 December 2021	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 2 years $'000	Over 2 years $'000	Total $'000
Commodity derivative contracts	4,450	17,288	24,035	15,746	–	61,519
	4,450	17,288	24,035	15,746	–	61,519

27. Risk management and financial instruments continued

Capital management

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents and equity attributable to the equity holders of the parent company, comprising issued capital, reserves and retained earnings as in the Group statement of changes in equity.

The primary objective of the Group's capital management is to optimise the return on investment, by managing its capital structure to achieve capital efficiency whilst also maintaining flexibility. The Group regularly monitors the capital requirements of the business over the short, medium and long term, in order to enable it to foresee when additional capital will be required.

The Group has approval from the Board to hedge external risks, see Commodity price risk: oil prices and Foreign exchange risk. This is designed to reduce the risk of adverse movements in exchange rates and market prices eroding the return on the Group's projects and operations.

The Board regularly reassesses the existing dividend policy to ensure that shareholder value is maximised. Any future payment of dividends is expected to depend on the earnings and financial condition of the Company and such other factors as the Board considers appropriate.

The Group monitors capital using the gearing ratio and return on shareholders' equity as follows. Further information relating to the movement year-on-year is provided within the relevant notes and within the Financial review (pages 20 to 26).

	2022 $'000	2021 $'000
Loans, borrowings and bond[(i)] (A) (see note 18)	**1,018,712**	1,508,604
Cash and short-term deposits (see note 14)	**(301,611)**	(286,661)
EnQuest net debt (B)	**717,101**	1,221,943
Equity attributable to EnQuest PLC shareholders (C)	**484,241**	543,766
Profit/(loss) for the year attributable to EnQuest PLC shareholders (D)	**(41,234)**	376,988
Profit/(loss) for the year attributable to EnQuest PLC shareholders excluding remeasurements and exceptionals (E)	**212,346**	220,284
Adjusted EBITDA (F)	**979,084**	742,868
Gross gearing ratio (A/C)	**2.1**	2.8
Net gearing ratio (B/C)	**1.5**	2.2
EnQuest net debt/adjusted EBITDA (B/F)	**0.7**	1.6
Shareholders' return on investment (D/C)	**N/A**	74%
Shareholders' return on investment excluding exceptionals (E/C)	**44%**	41%

(i) Principal amounts drawn, excludes netting off of fees (see note 18)

28. Subsidiaries

At 31 December 2022, EnQuest PLC had investments in the following subsidiaries:

Name of company	Principal activity	Country of incorporation	Proportion of nominal value of issued shares controlled by the Group
EnQuest Britain Limited	Intermediate holding company and provision of Group manpower and contracting/procurement services	England	100%
EnQuest Heather Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest Thistle Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
Stratic UK (Holdings) Limited(i)	Intermediate holding company	England	100%
Grove Energy Limited[1]	Intermediate holding company	Canada	100%
EnQuest ENS Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest UKCS Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest Heather Leasing Limited(i)	Leasing	England	100%
EQ Petroleum Sabah Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest Dons Leasing Limited(i)	Leasing	England	100%
EnQuest Energy Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest Production Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest Global Limited	Intermediate holding company	England	100%
EnQuest NWO Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EQ Petroleum Production Malaysia Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
NSIP (GKA) Limited[2]	Construction, ownership and operation of an oil pipeline	Scotland	100%
EnQuest Global Services Limited(i)[3]	Provision of Group manpower and contracting/procurement services for the international business	Jersey	100%
EnQuest Marketing and Trading Limited	Marketing and trading of crude oil	England	100%
NorthWestOctober Limited(i)	Dormant	England	100%
EnQuest UK Limited(i)	Dormant	England	100%
EnQuest Petroleum Developments Malaysia SDN. BHD(i)[4]	Exploration, extraction and production of hydrocarbons	Malaysia	100%
EnQuest NNS Holdings Limited(i)	Intermediate holding company	England	100%
EnQuest NNS Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest Advance Holdings Limited(i)	Intermediate holding company	England	100%
EnQuest Advance Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest Forward Holdings Limited(i)	Intermediate holding company	England	100%
EnQuest Forward Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest Progress Limited(i)	Exploration, extraction and production of hydrocarbons	England	100%
North Sea (Golden Eagle) Resources Ltd	Exploration, extraction and production of hydrocarbons	England	100%
EnQuest CCS Limited(i)	Non-trading	England	100%
Veri Energy Holdings Limited	Intermediate holding company	England	100%
Veri Energy Limited(i)	Dormant	England	100%

(i) Held by subsidiary undertaking

The Group has two branches outside the UK (all held by subsidiary undertakings): EnQuest Global Services Limited (Dubai) and EnQuest Petroleum Production Malaysia Limited (Malaysia).

Registered office addresses:

1 Suite 2200, 1055 West Hastings Street, Vancouver, British Columbia, V6E 2E9
2 Annan House, Palmerston Road, Aberdeen, Scotland, AB11 5QP, United Kingdom
3 Ground Floor, Colomberie House, St Helier, JE4 0RX, Jersey
4 c/o TMF, 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee 50250 Kuala Lumpur, Malaysia

29. Cash flow information

Cash generated from operations

	Notes	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Profit/(loss) before tax		**203,214**	352,441
Depreciation	5(c)	**6,222**	7,492
Depletion	5(b)	**327,026**	305,578
Net impairment charge/(reversal) to oil and gas assets	4	**81,049**	(39,715)
Write down of inventory		**762**	151
Change in fair value of investments		**–**	1
Share-based payment charge	5(f)	**4,719**	6,351
Change in Magnus related contingent consideration	22	**268,910**	(81,684)
Change in provisions	23	**(25,001)**	16,900
Other non-cash income	5(d)	**(6,636)**	(22,568)
Other expense on final settlement relating to the Magnus acquisition	5(e)	**–**	3,832
Change in Golden Eagle related contingent consideration	22	**3,162**	507
Option premiums	19	**1,331**	1,030
Unrealised (gain)/loss on commodity financial instruments	5(a)	**(14,475)**	54,451
Unrealised (gain)/loss on other financial instruments	5(b)	**4,900**	(472)
Unrealised exchange loss/(gain)		**(13,588)**	(425)
Net finance expense		**154,492**	152,306
Operating profit before working capital changes		**996,087**	756,176
Decrease/(increase) in trade and other receivables		**12,714**	(171,946)
(Increase)/decrease in inventories		**(5,388)**	(13,496)
Increase/(decrease) in trade and other payables		**22,736**	186,194
Cash generated from operations		**1,026,149**	756,928

29. Cash flow information continued

Changes in liabilities arising from financing activities

	Loans and borrowings $'000	Bonds $'000	Lease liabilities $'000	Total $'000
At 1 January 2021	(452,774)	(1,079,692)	(647,846)	(2,180,312)
Cash movements:				
Repayments of loans and borrowings	184,276	–	–	184,276
Drawdowns of loans and borrowings	(125,000)	–	–	(125,000)
Repayment of lease liabilities	–	–	136,651	136,651
Cash interest paid in year	19,428	38,154	–	57,582
Non-cash movements:				
Additions	2,082	–	(17,815)	(15,733)
Interest/finance charge payable	(20,206)	(69,085)	(45,359)	(134,650)
Fee amortisation	(9,857)	(1,173)	–	(11,030)
Disposal	–	–	3,121	3,121
Foreign exchange and other non-cash movements	(14)	1,876	467	2,329
At 31 December 2021	(402,065)	(1,109,920)	(570,781)	(2,082,766)
Cash movements:				
Repayments of loans and borrowings	**415,000**	**827,166**	**–**	**1,242,166**
Drawdowns of loans and borrowings	**(409,180)**	**(376,163)**	**–**	**(785,343)**
Repayment of lease liabilities	**–**	**–**	**147,971**	**147,971**
Cash interest paid in year	**14,771**	**80,189**	**–**	**94,960**
Non-cash movements:				
Additions	**4,038**	**14,323**	**(28,130)**	**(9,769)**
Interest/finance charge payable	**(14,490)**	**(62,262)**	**(39,172)**	**(115,924)**
Fee amortisation	**(22,679)**	**(2,652)**	**–**	**(25,331)**
Disposal	**–**	**–**	**1,432**	**1,432**
Foreign exchange and other non-cash movements	**1,077**	**32,036**	**6,614**	**39,727**
At 31 December 2022	**(413,528)**	**(597,283)**	**(482,066)**	**1,492,877**

Reconciliation of carrying value

	Loans and borrowings (see note 18) $'000	Bonds (see note 18) $'000	Lease liabilities (see note 24) $'000	Total $'000
Principal	(424,864)	(1,083,740)	(570,781)	(2,079,385)
Unamortised fees	23,250	2,144	–	25,394
Accrued interest (note 17)	(451)	(28,324)	–	(28,775)
At 31 December 2021	(402,065)	(1,109,920)	(570,781)	(2,082,766)
Principal	**(417,967)**	**(600,745)**	**(482,066)**	**(1,500,778)**
Unamortised fees	**4,609**	**13,815**	**–**	**18,424**
Accrued interest (note 17)	**(170)**	**(10,353)**	**–**	**(10,523)**
At 31 December 2022	**(413,528)**	**(597,283)**	**(482,066)**	**(1,492,877)**

Statement of Directors' Responsibilities
for the Parent Company Financial Statements

The Directors are responsible for preparing the Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 'Reduced Disclosure Framework'. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Company Balance Sheet (Registered number: 07140891)
At 31 December 2022

	Notes	2022 $'000	2021 $'000
Fixed assets			
Investments	3	**370,355**	396,731
Current assets			
Trade and other debtors			
– due within one year	4	**3**	9
– due after one year	4	**702,616**	1,178,379
Cash at bank and in hand		**89**	317
		702,708	1,178,705
Trade and other creditors: amounts falling due within one year	6	**(14,771)**	(35,472)
Net current assets		**687,937**	1,143,233
Total assets less current liabilities		**1,058,292**	1,539,964
Trade and other creditors: amounts falling due after one year	7	**(586,930)**	(1,081,596)
Net assets		**471,362**	458,368
Share capital and reserves			
Share capital and premium	8	**392,196**	392,196
Other reserve		**40,143**	40,143
Share-based payment reserve		**11,510**	6,791
Profit and loss account		**27,513**	19,238
Shareholders' funds		**471,362**	458,368

The attached notes 1 to 11 form part of these Company financial statements.

The Company reported a profit for the financial year ended 31 December 2022 of $8.3 million (2021: profit of $368.2 million). There were no other recognised gains or losses in the period (2021: $nil).

The financial statements were approved by the Board of Directors and authorised for issue on 4 April 2023 and signed on its behalf by:

Salman Malik
Chief Financial Officer

Company Statement of Changes in Equity
For the year ended 31 December 2022

	Share capital and share premium $'000	Other reserve $'000	Share-based payments reserve $'000	Profit and loss account $'000	Total $'000
At 31 December 2020	345,420	40,143	1,016	(348,980)	37,599
Profit/(loss) for the year	–	–	–	368,218	368,218
Total comprehensive income for the year	–	–	–	368,218	368,218
Issue of share capital net of expenses	46,200	–	–	–	46,200
Share-based payment charge	–	–	6,351	–	6,351
Shares purchased on behalf of Employee Benefit Trust	576	–	(576)	–	–
At 31 December 2021	392,196	40,143	6,791	19,238	458,368
Profit/(loss) for the year	**–**	**–**	**–**	**8,275**	**8,275**
Total comprehensive expense for the year	**–**	**–**	**–**	**8,275**	**8,275**
Share-based payment charge	**–**	**–**	**4,719**	**–**	**4,719**
At 31 December 2022	**392,196**	**40,143**	**11,510**	**27,513**	**471,362**

Notes to the Financial Statements
For the year ended 31 December 2022

1. Corporate information

The separate parent company financial statements of EnQuest PLC (the 'Company') for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Directors on 4 April 2023.

EnQuest PLC ('EnQuest' or the 'Company') is a public limited company incorporated and registered in England and is the holding company for the Group of EnQuest subsidiaries (together the 'Group'). The Company address can be found on the inside back cover.

2. Summary of significant accounting policies

Basis of preparation

These separate financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100, 'Application of Financial Reporting Requirements' as issued by the Financial Reporting Council. The Company has previously notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the Company in these financial statements.

These financial statements are prepared under the historical cost basis, except for the fair value remeasurement of certain financial instruments as set out in the accounting policies below. The functional and presentation currency of the separate financial statements is US Dollars and all values in the separate financial statements are rounded to the nearest thousand ($'000) except where otherwise stated.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, fair value measurement, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been given in the Group accounts.

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and not presented an income statement or a statement of comprehensive income for the parent company. The parent company's accounts present information about it as an individual undertaking and not about its Group.

Going concern

The Directors' assessment of going concern concludes that the use of the going concern basis is appropriate and the Directors have a reasonable expectation that the Group, and therefore the Company, will be able to continue in operation and meet its commitments as they fall due over the going concern period. See note 2 of the Group financial statements for further details.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2022.

Critical accounting estimates and judgements

The management of the Group has to make estimates and judgements when preparing the financial statements of the Group. Uncertainties in the estimates and judgements could have an impact on the carrying amount of assets and liabilities and the Group's results. The most important estimates in relation thereto are:

Impairment of investments in subsidiaries

Determination of whether investments have suffered any impairment requires an estimation of the assets' recoverable value. The recoverable value is based on the discounted cash flows expected to arise from the subsidiaries' oil and gas assets, using asset-by-asset life of field projections as part of the Group's assessment for the impairment of the oil and gas assets. The Company's investment in subsidiaries is tested for impairment annually. See Group critical accounting estimates and judgements.

Foreign currencies

Transactions in currencies other than the Company's functional currency are recorded at the prevailing rate of exchange on the date of the transaction. At the year end, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the rate of exchange as at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the rate of exchange at the date the fair value was determined. All foreign exchange gains and losses are taken to the statement of comprehensive income.

3. Investments

Accounting policy

Investments in subsidiaries are accounted for at cost less any provision for impairment.

(a) Summary

	2022 $'000	2021 $'000
Subsidiary undertakings	**370,349**	396,725
Other financial assets at FVPL	**6**	6
Total	**370,355**	396,731

3. Investments continued

(b) Subsidiary undertakings

	Subsidiary undertakings $'000
Cost	
At 1 January 2021	1,387,807
Additions	6,350
At 31 December 2021	1,394,157
Additions	4,719
At 31 December 2022	**1,398,876**
Provision for impairment	
At 1 January 2021	1,316,463
Impairment reversal for the year	(319,031)
At 31 December 2021	**997,432**
Impairment charge for the year	**31,095**
At 31 December 2022	**1,028,527**
Net book value	
At 31 December 2022	**370,349**
At 31 December 2021	396,725
At 31 December 2020	71,344

The Company has recognised an impairment of its investment in subsidiary undertakings of $31.1 million (2021: impairment reversal of $319.0 million). The impairment charge for the year ended 31 December 2022 is primarily attributable to the introduction of EPL and changes in production profiles, partially offset by an increase in EnQuest's long term oil price assumptions.

The Group's recoverable value of its investments is highly sensitive, inter alia, to oil price achieved. A sensitivity has been run on the oil price assumption, with a 10.0% change being considered to be a reasonable possible change for the purposes of sensitivity analysis (see note 2 of the Group financial statements). A 10.0% decrease in oil price would have increased the impairment charge by $245.2 million.

The oil price sensitivity analysis does not, however, represent management's best estimate of any impairments that might be recognised as they do not fully incorporate consequential changes that may arise, such as reductions in costs and changes to business plans, phasing of development, levels of reserves and resources, and production volumes. As the extent of a price reduction increases, the more likely it is that costs would decrease across the industry. The oil price sensitivity analysis therefore does not reflect a linear relationship between price and value that can be extrapolated.

Details of the Company's subsidiaries at 31 December 2022 are provided in note 28 of the Group financial statements.

(c) Other financial assets at FVPL

The interest in other listed investments at the end of the year is part of the Group's investment in the Ordinary share capital of Ascent Resources plc, which is incorporated in the United Kingdom and registered in England and Wales.

4. Trade and other debtors

Financial assets

Financial assets are classified, at initial recognition, as amortised cost, fair value through other comprehensive income ('FVOCI'), or fair value through profit or loss ('FVPL'). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Company does not currently hold any financial assets at FVOCI, i.e. debt financial assets.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

Financial assets at amortised cost

Trade debtors, other debtors and joint operation debtors are measured initially at fair value and subsequently recorded at amortised cost, using the effective interest rate ('EIR') method, and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired and EIR amortisation is included within finance costs.

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Prepayments, which are not financial assets, are measured at historical cost.

4. Trade and other debtors continued

Impairment of financial assets

The Company recognises a provision for expected credit loss ('ECL'), where material, for all financial assets held at the balance sheet date. The measurement of expected credit losses is a function of the probability of default, loss given default and exposure at default. ECLs are based on the difference between the contractual cash flows due to the Company, and the discounted actual cash flows that are expected to be received. Where there has been no significant increase in credit risk since initial recognition, the loss allowance is equal to 12-month expected credit losses. Where the increase in credit risk is considered significant, lifetime credit losses are provided. For trade receivables, a lifetime credit loss is recognised on initial recognition where material.

The provision rates are based on days past due for groupings of customer segments with similar loss patterns (i.e. by geographical region, product type, customer type and rating) and are based on their historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company evaluates the concentration of risk with respect to intercompany debtors as low, as its customers are intercompany ventures, and has considered the risk relating to the probability of default on loans that are repayable on demand. The Company has evaluated an expected credit loss of $2.2 million for the year ended 31 December 2022, as required by IFRS 9's expected credit loss model (2021: $2.8 million).

	2022 $'000	2021 $'000
Due within one year		
Prepayments	**3**	9
	3	9
Due after one year		
Amounts due from subsidiaries	**702,616**	1,178,379

Included within the amounts due from Group undertakings are balances of $667.2 million (2021: $1,138.1 million) on which interest was charged at between 7.0-11.625% (2021: 7.0-7.12%). All other balances are interest free.

All amounts owed by Group undertakings are unsecured and repayable on demand. However, the Company does not expect such amounts to be repaid within one year from the balance sheet date.

5. Deferred tax

The Company has unused UK mainstream corporation tax losses of $23.6 million (2021: $57.1 million) for which no deferred tax asset has been recognised at the balance sheet date due to the uncertainty of recovery of these losses.

6. Trade and other creditors: amounts falling due within one year

Accounting policy

Financial liabilities

Financial liabilities are classified, at initial recognition, as amortised cost or at fair value through profit or loss.

Financial liabilities are derecognised when they are extinguished, discharged, cancelled or they expire. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Group income statement.

Financial liabilities at amortised cost

Loans and borrowings, trade creditors and other creditors are measured initially at fair value net of directly attributable transaction costs and subsequently recorded at amortised cost, using the effective interest rate method. Loans and borrowings are interest bearing. Gains and losses are recognised in profit or loss when the liability is derecognised and EIR amortisation is included within finance costs.

	2022 $'000	2021 $'000
Bond and other interest	**10,353**	28,617
Amounts due to subsidiaries	**4,307**	6,699
Accruals	**111**	156
	14,771	35,472

All amounts owed to Group undertakings are unsecured and repayable on demand. No interest was paid on short-term amounts due to subsidiaries (2021: nil)

7. Trade and other creditors: amounts falling due after one year

	2022 $'000	2021 $'000
Bonds	**586,930**	1,081,596

At 31 December 2022, bonds comprise a high yield bond and two retail bonds. In October 2022, the Group redeemed the full outstanding balance of $792.3 million of its 7.00% high yield bond, ahead of its maturity in October 2023. In October 2022, the Group concluded an offer of $305.0 million for a US Dollar high yield bond. The principal of the high yield bond is $291.2 million (2021: $825.4 million), matures in November 2027 and pays a coupon of 11.625% bi-annually. The retail bond 7.00%, which matures in October 2023, has a principal of $134.5 million (2021: $256.2 million) and pays a coupon of 7.00% bi-annually. On 27 April 2022, following a successful exchange and cash offer, £79.3 million of the retail bond 7.00% were exchanged for the retail bond 9.00%. The retail bond 9.00% has principal of $161.2 million and pays a coupon of 9.00% with a maturity date of October 2027. See note 18 of the Group financial statements. The maturity profile of the bonds is disclosed in note 27 of the Group financial statements.

8. Share capital and share premium

The movement in the share capital and share premium of the Company was as follows:

Authorised, issued and fully paid	Ordinary shares of £0.05 each Number	Share capital $'000	Share premium $'000	Total $'000
At 1 January 2022 and 31 December 2022	**1,885,924,339**	**131,650**	**260,546**	**392,196**

The share capital comprises only one class of Ordinary share. Each Ordinary share carries an equal voting right and right to a dividend.

At 31 December 2022, there were 21,663,181 shares held by the Employee Benefit Trust (2021: 39,718,323). The movement in the year was due to shares used to satisfy awards made under the Company's share-based incentive schemes.

9. Reserves

Share capital and share premium

The balance classified as equity share capital includes the total net proceeds (both nominal value and share premium) on issue of registered share capital of the parent company. Share issue costs associated with the issuance of new equity are treated as a direct reduction of proceeds. The share capital comprises only one class of Ordinary share. Each Ordinary share carries an equal voting right and right to a dividend.

Other reserve

The other reserve is used to record any other transactions taken straight to reserves as non-distributable.

Share-based payments reserve

The reserve for share-based payments is used to record the value of equity-settled share-based payments awards to employees and the balance of the shares held by the Company's Employee Benefit Trust. Transfers out of this reserve are made upon vesting of the original share awards. Share-based payment plan information is disclosed in note 21 of the Group financial statements.

10. Auditor's remuneration

Fees payable to the Company's auditor for the audit of the Company and Group financial statements are disclosed in note 5(g) of the Group financial statements.

11. Directors' remuneration

The emoluments of the Directors are paid to them in their capacity as Directors of the Company for qualifying services to the Company and the EnQuest Group. Further information is provided in the Directors' Remuneration Report on pages 85 to 102.

Glossary – Non-GAAP Measures

The Group uses Alternative Performance Measures ('APMs') when assessing and discussing the Group's financial performance, balance sheet and cash flows that are not defined or specified under IFRS. The Group uses these APMs, which are not considered to be a substitute for, or superior to, IFRS measures, to provide stakeholders with additional useful information by adjusting for exceptional items and certain remeasurements which impact upon IFRS measures or, by defining new measures, to aid the understanding of the Group's financial performance, balance sheet and cash flows.

The use of the Business performance APM is explained in note 2 of the Group's consolidated financial statements on page 128.

Business performance net profit attributable to EnQuest PLC shareholders	2022 $'000	2021 $'000
Reported net profit/(loss) (A)	**(41,234)**	376,988
Adjustments – remeasurements and exceptional items (note 4):		
Unrealised gains/(losses) on derivative contracts (note 19)	**9,575**	(53,979)
Net impairment (charge)/reversal to oil and gas assets (note 10, note 11 and note 12)	**(81,049)**	39,715
Finance costs on Magnus contingent consideration (note 6)	**(36,410)**	(58,395)
Change in Magnus contingent consideration (2022: notes 5(d) and 5(e); 2021: note 5(d))	**(232,500)**	140,079
Movement in other provisions	**–**	(7,673)
Other exceptional income (note 5(d))	**6,636**	22,568
Other exceptional expenses (note 5(e))	**–**	(3,832)
Other exceptional finance income (note 6)	**2,148**	–
Pre-tax remeasurements and exceptional items (B)	**(331,600)**	78,483
Tax on remeasurements and exceptional items (C)	**78,020**	78,221
Post-tax remeasurements and exceptional items (D = B + C)	**(253,580)**	156,704
Business performance net profit attributable to EnQuest PLC shareholders (A – D)	**212,346**	220,284

Adjusted EBITDA is a measure of profitability. It provides a metric to show earnings before the influence of accounting (i.e. depletion and depreciation) and financial deductions (i.e. borrowing interest). For the Group, this is a useful metric as a measure to evaluate the Group's underlying operating performance and is a component of a covenant measure under the Group's RBL facility. It is commonly used by stakeholders as a comparable metric of core profitability and can be used as an indicator of cash flows available to pay down debt. Due to the adjustment made to reach adjusted EBITDA, the Group notes the metric should not be used in isolation. The nearest equivalent measure on an IFRS basis is profit or loss before tax and finance income/(costs).

Adjusted EBITDA	2022 $'000	2021 $'000
Reported profit/(loss) from operations before tax and finance income/(costs)	**411,887**	580,059
Adjustments:		
Remeasurements and exceptional items (note 4)	**297,338**	(136,878)
Depletion and depreciation (note 5(b) and note 5(c))	**333,248**	313,070
Inventory revaluation	**763**	151
Change in provision (note 5(d) and note 5(e))	**(42,823)**	(13,143)
Net foreign exchange (gain)/loss (note 5(d))	**(21,329)**	(391)
Adjusted EBITDA (E)	**979,084**	742,868

Total cash and available facilities is a measure of the Group's liquidity at the end of the reporting period. The Group believes this is a useful metric as it is an important reference point for the Group's going concern and viability assessments, see pages 25 to 26.

Total cash and available facilities	2022 $'000	2021 $'000
Available cash	**293,866**	276,970
Restricted cash	**7,745**	9,691
Total cash and cash equivalents (F) (note 14)	**301,611**	286,661
Available credit facilities	**500,000**	500,000
Credit facility – drawn down	**(400,000)**	(415,000)
Letter of credit (note 18)	**(52,700)**	(53,000)
Available undrawn facility (G)	**47,300**	32,000
Total cash and available facilities (F + G)	**348,911**	318,661

Net debt is a liquidity measure that shows how much debt a company has on its balance sheet compared to its cash and cash equivalents. With de-leveraging a strategic priority, the Group believes this is a useful metric to demonstrate progress in this regard. It is also an important reference point for the Group's going concern and viability assessments, see pages 25 to 26. The Group's definition of net debt, referred to as EnQuest net debt, excludes the Group's finance lease liabilities as the Group's focus is the management of cash borrowings and a lease is viewed as deferred capital investment.

EnQuest net debt	2022 $'000	2021 $'000
Borrowings (note 18):		
RBL facility	**395,391**	391,750
SVT working capital facility	**12,275**	9,864
Vendor loan facility	**5,692**	–
Borrowings (H)	**413,358**	401,614
Bonds (note 18):		
High yield bond	**291,185**	825,441
Retail bonds	**295,745**	256,155
Bonds (I)	**586,930**	1,081,596
Non-cash accounting adjustments (note 18):		
Unamortised fees on loans and borrowings	**4,609**	23,250
Unamortised fees on bonds	**13,815**	2,144
Non-cash accounting adjustments (J)	**18,424**	25,394
Debt (H + I + J) (K)	**1,018,712**	1,508,604
Less: Cash and cash equivalents (note 14) (E)	**301,611**	286,661
EnQuest net debt/(cash) (K – F) (L)	**717,101**	1,221,943

The EnQuest net debt/adjusted EBITDA metric is a ratio that provides management and users of the Group's consolidated financial statements with an indication of how many years it would take to service the Group's debt. This is a helpful metric to monitor the Group's progress against its strategic objective of de-leveraging.

EnQuest net debt/adjusted EBITDA	2022 $'000	2021 $'000
EnQuest net debt (L)	**717,101**	1,221,943
Adjusted EBITDA (E)	**979,084**	742,868
EnQuest net debt/adjusted EBITDA (L/E)	**0.7**	1.6

Cash capex monitors investing activities on a cash basis, while cash decommissioning expense monitors the Group's cash spend on decommissioning activities. The Group provides guidance to the financial markets for both these metrics given the focus on the Group's liquidity position and ability to reduce its debt.

Cash capex and Cash capital and decommissioning expense	2022 $'000	2021 $'000
Reported net cash flows (used in)/from investing activities	**(161,247)**	(321,230)
Adjustments:		
Purchase of other intangible assets	**1,199**	10,052
Repayment of Magnus contingent consideration – Profit share	**45,975**	968
Acquisition costs	**–**	258,627
Interest received	**(1,763)**	(256)
Cash capex	**(115,836)**	(51,839)
Decommissioning spend	**(58,964)**	(65,791)
Cash capital and decommissioning expense	**(174,800)**	(117,630)

Free cash flow ('FCF') represents the cash a company generates, after accounting for cash outflows to support operations, to maintain its capital assets. Currently this metric is useful to management and users to assess the Group's ability to reduce its debt.

The Group's definition of free cash flow is net cash flow adjusted for net repayment/proceeds of loans and borrowings, net proceeds of share issues and cost of acquisitions.

In 2021, the Group made an accelerated repayment of the Magnus Vendor loan of $58.7 million. As the repayment was made out of Group cash flows rather than as part of the Magnus-related waterfall mechanism, the Group has adjusted for this accelerated repayment for the purpose of calculating FCF.

Free cash flow	2022 $'000	2021 $'000
Net cash flows from/(used in) operating activities	**931,553**	674,138
Net cash flows from/(used in) investing activities	**(161,247)**	(321,230)
Net cash flows from/(used in) financing activities	**(731,163)**	(285,474)
Adjustments:		
Net proceeds of loans and borrowings	**(65,473)**	(125,000)
Net repayment of loans and borrowings	**545,278**	184,276
Acquisitions	**–**	258,627
Repayment of Magnus contingent consideration – Vendor loan[(i)]	**–**	58,668
Net proceeds from share issue	**–**	(47,782)
Shares purchased by Employee Benefit Trust	**–**	576
Free cash flow	**518,948**	396,799

(i) Related to the accelerated vendor loan repayment

Revenue sales	2022 $'000	2021 $'000
Revenue from crude oil sales (note 5(a)) (M)	**1,517,666**	1,139,171
Revenue from gas and condensate sales (note 5(a)) (N)	**514,206**	244,073
Realised (losses)/gains on oil derivative contracts (note 5(a)) (P)	**(203,741)**	(67,679)

Barrels equivalent sales	2022 kboe	2021 kboe
Sales of crude oil (Q)	**14,786**	15,609
Sales of gas and condensate[(i)]	**3,366**	2,829
Total sales (R)	**18,152**	18,438

(i) Includes volumes related to onward sale of third-party gas purchases not required for injection activities at Magnus

Average realised price is a measure of the revenue earned per barrel sold. The Group believes this is a useful metric for comparing performance to the market and to give the user, both internally and externally, the ability to understand the drivers impacting the Group's revenue.

Average realised prices	2022 $/Boe	2021 $/Boe
Average realised oil price, excluding hedging (M/Q)	**102.6**	73.0
Average realised oil price, including hedging ((M + P)/Q)	**88.9**	68.6
Average realised blended price, excluding hedging ((M + N)/R)	**111.9**	75.0
Average realised blended price, including hedging ((M + N + P)/R)	**100.7**	71.4

Glossary – Non-GAAP Measures continued

Operating costs ('opex') is a measure of the Group's cost management performance. Opex is a key measure to monitor the Group's alignment to its strategic pillars of financial discipline and value enhancement and is required in order to calculate opex per barrel (see below).

Operating costs	2022 $'000	2021 $'000
Reported cost of sales (note 5(b))	**1,200,706**	907,634
Adjustments:		
Remeasurements and exceptional items (note 5(b))	**(4,900)**	(7,201)
Depletion of oil and gas assets (note 5(b))	**(327,027)**	(305,578)
Charge/(credit) relating to the Group's lifting position and inventory (note 5(b))	**15,568**	(62,307)
Other cost of operations (note 5(b))	**(487,831)**	(211,575)
Operating costs	**396,516**	320,973
Less realised (gain)/loss on derivative contracts (S) (note 5(b))	**(5,418)**	10,693
Operating costs directly attributable to production	**391,098**	331,666
Comprising of:		
Production costs (T) (note 5(b))	**347,832**	292,252
Tariff and transportation expenses (U) (note 5(b))	**43,266**	39,414
Operating costs directly attributable to production	**391,098**	331,666

Barrels equivalent produced	2022 kboe	2021 kboe
Total produced (working interest) (V)	**17,250**	16,211

Unit opex is the operating expenditure per barrel of oil equivalent produced. This metric is useful as it is an industry standard metric allowing comparability between oil and gas companies. Unit opex including hedging includes the effect of realised gains and losses on derivatives related to foreign currency and emissions allowances. This is a useful measure for investors because it demonstrates how the Group manages its risk to market price movements.

Unit opex	2022 $/Boe	2021 $/Boe
Production costs (T/V)	**20.2**	18.1
Tariff and transportation expenses (U/V)	**2.5**	2.4
Total unit opex ((T + U)/V)	**22.7**	20.5
Realised loss/(gain) on derivative contracts (S/V)	**0.3**	(0.7)
Total unit opex including hedging ((S + T+ U)/V)	**23.0**	19.8

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EnQuest PLC shares are traded on the London Stock Exchange and on the NASDAQ OMX Stockholm, in both cases using the code 'ENQ'.

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June 2023: Annual General Meeting
September 2022: Half year results

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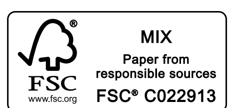
Forward-looking statements:
This announcement may contain certain forward-looking statements with respect to EnQuest's expectations and plans, strategy, management's objectives, future performance, production, reserves, costs, revenues and other trend information. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The statements have been made with reference to forecast price changes, economic conditions and the current regulatory environment. Nothing in this announcement should be construed as a profit forecast. Past share performance cannot be relied upon as a guide to future performance.

Notes



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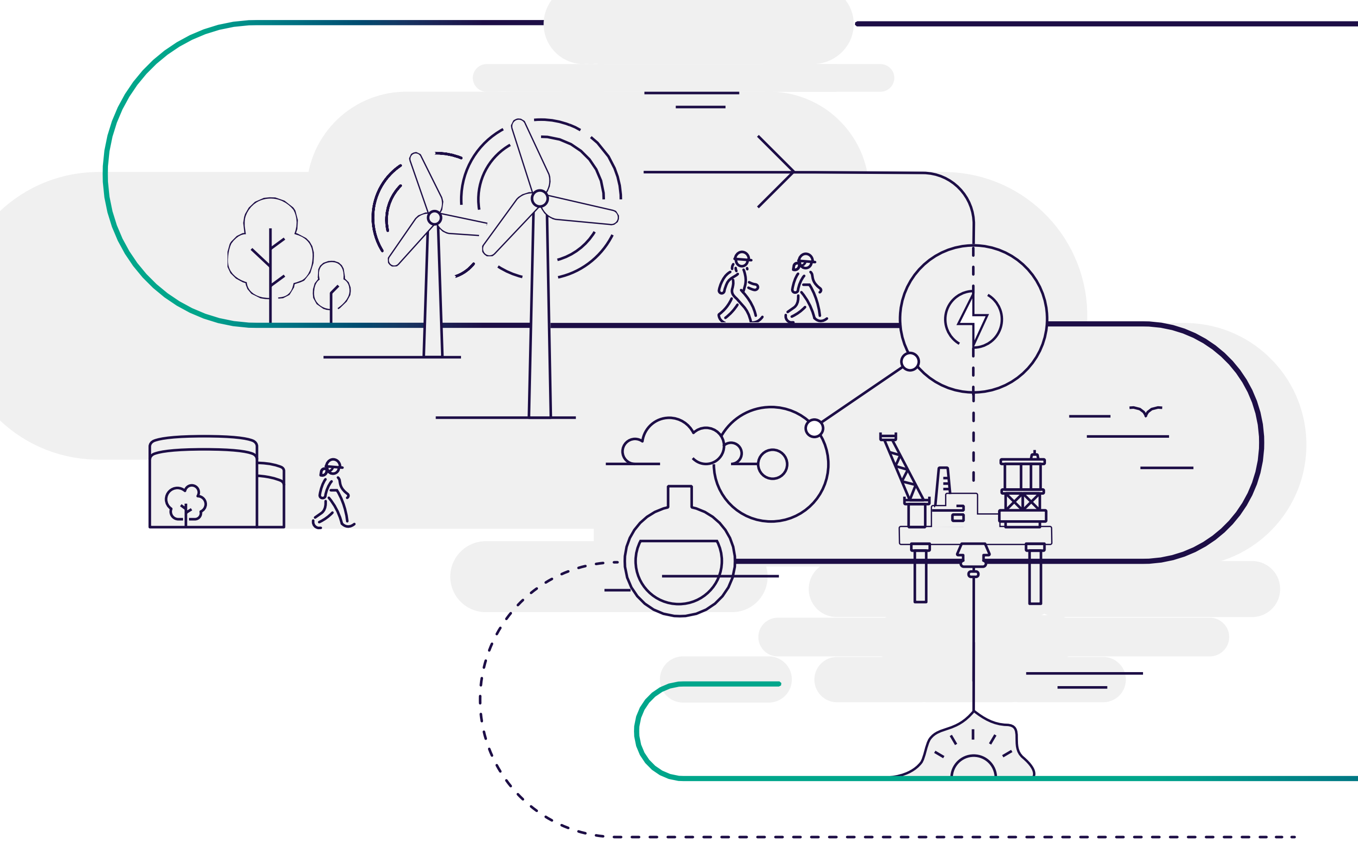

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