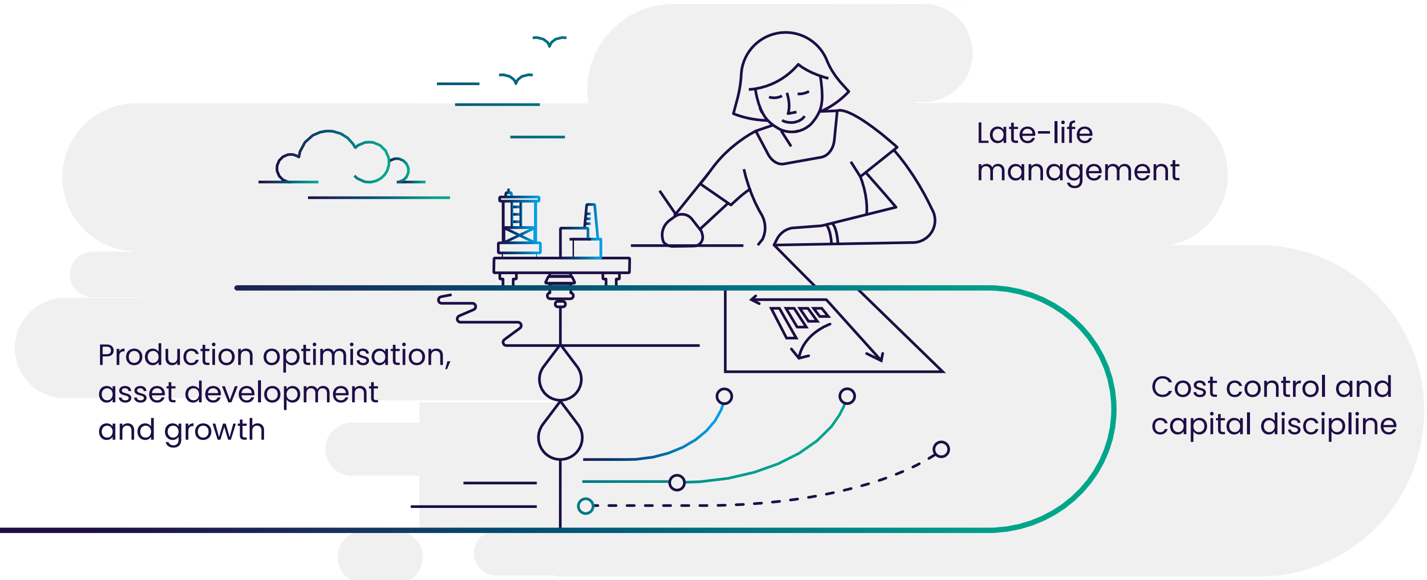
Welcome

Upstream

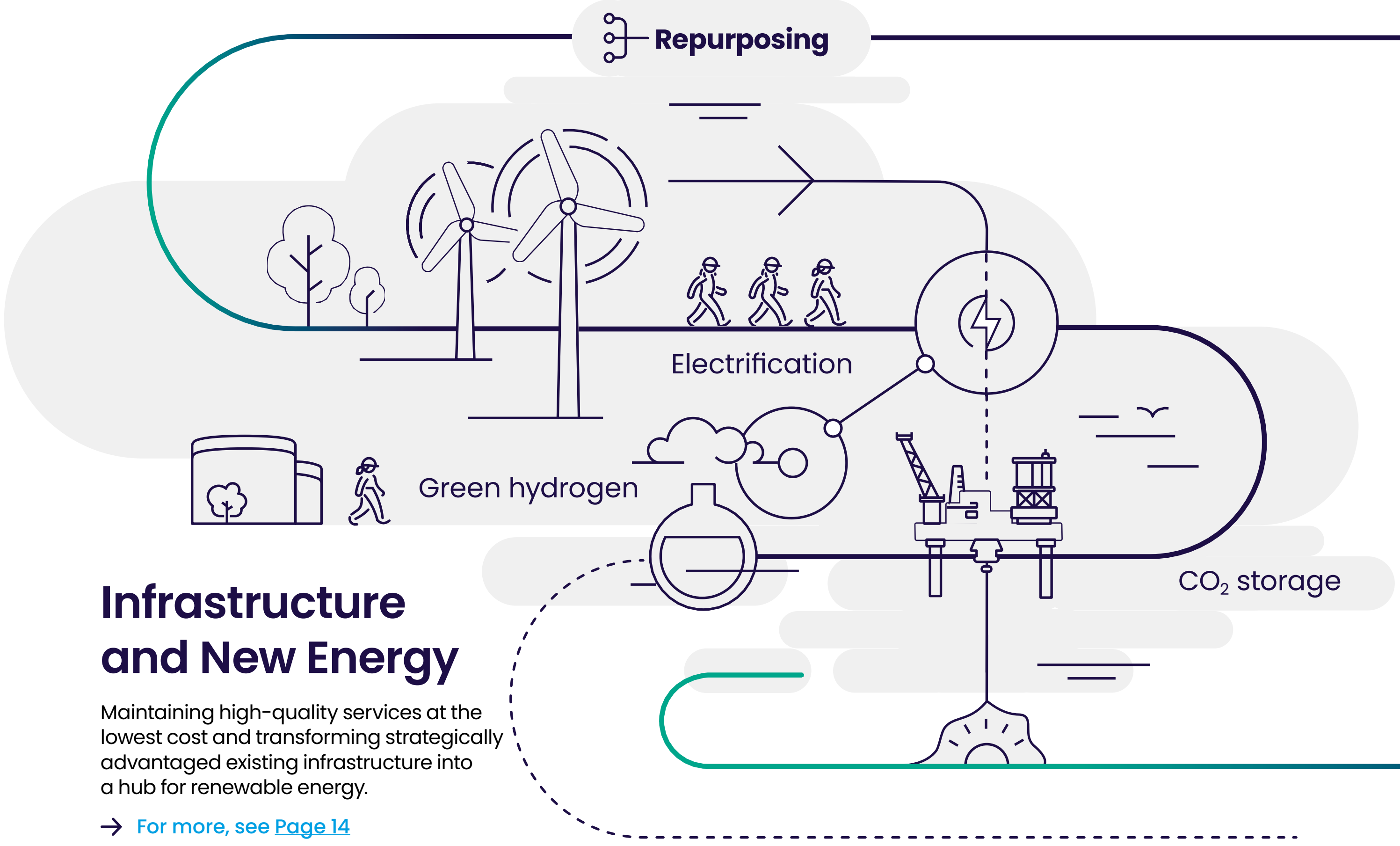
Responsibly extracting existing oil and gas resources through established infrastructure while minimising emissions remains our core business.

For more, see Page 12



The energy transition

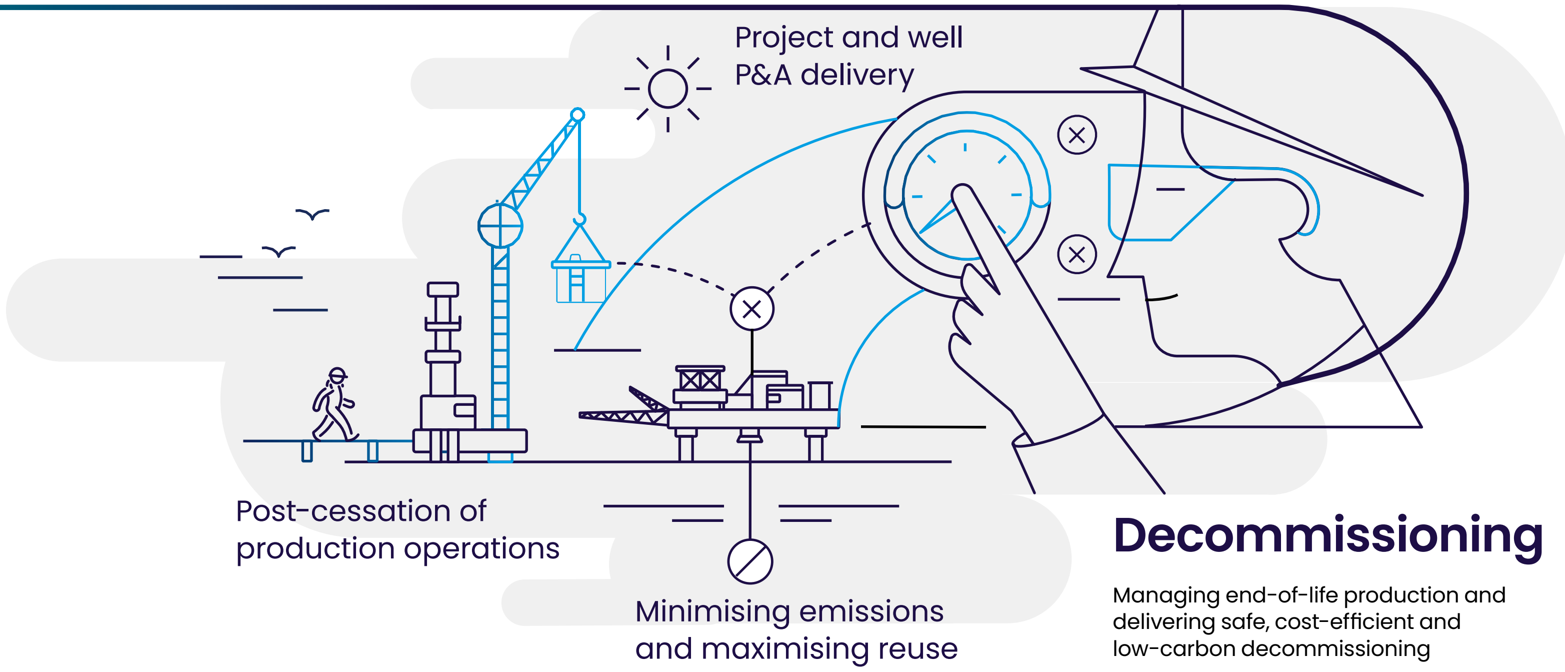
EnQuest is well positioned to play an important role in the energy transition. It will do so by responsibly optimising production, repurposing existing infrastructure, delivering a strong decommissioning performance and progressing new energy and decarbonisation opportunities.



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



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.

D: Cash generated by operations
$ million
+35.6%

2022	1,026.1
2021	756.9
2020	567.2

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

G: Net 2P reserves[2, 3]
MMboe
−7.3%

2022	190
2021	205
2020	200

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.

B: Net production
Boepd
+6.4%

2022	47,259
2021	44,415
2020	59,116

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.

E: Cash capital and abandonment expense[3]
$ million
+48.6%

2022	174.8
2021	117.6
2020	173.0

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.

H: Scope 1 and 2 emissions[4]
tCO_2e
−9.6%

2022	1,051.9
2021	1,164.1
2020	1,361.0

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

C: Unit opex[3]
$/Boe
+10.7%

2022	22.7
2021	20.5
2020	15.2

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.

F: EnQuest net debt[3]
$ million
−41.3%

2022	717.1
2021	1,222.0
2020	1,279.7

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.

An integrated energy company

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

1

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.

2

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.

3

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 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 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."**

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

Richard Hall
Managing Director, Global Operations and Developments

P-seal design, which has caused well integrity issues in recent years.

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.

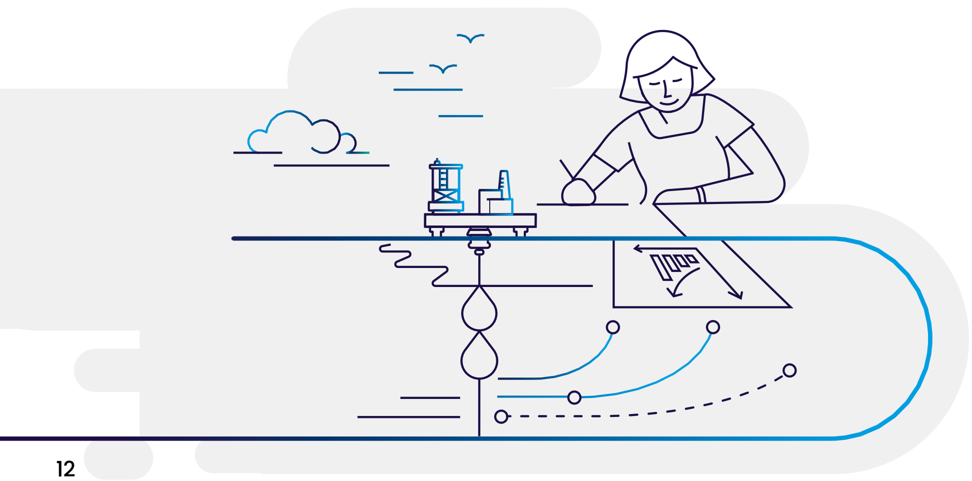
2023 outlook

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.

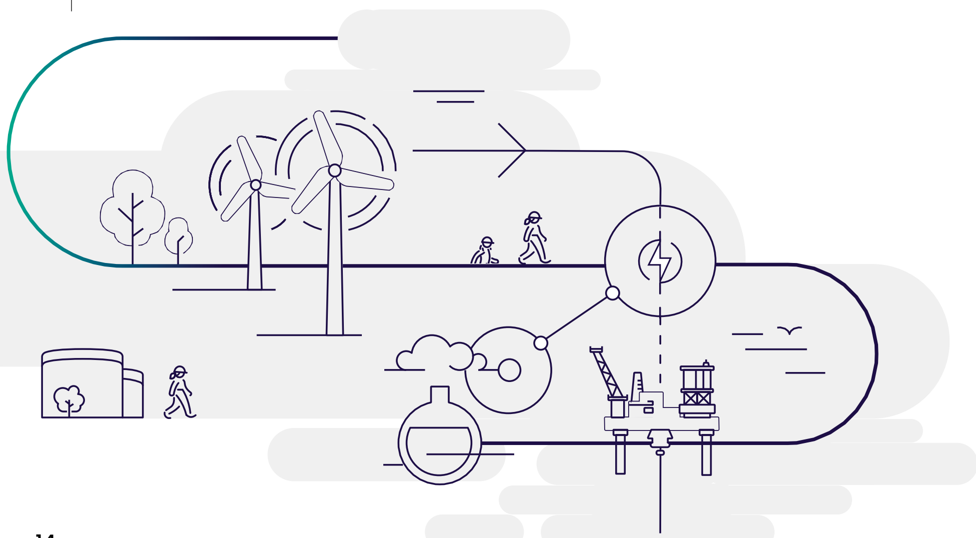
Electrification

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.

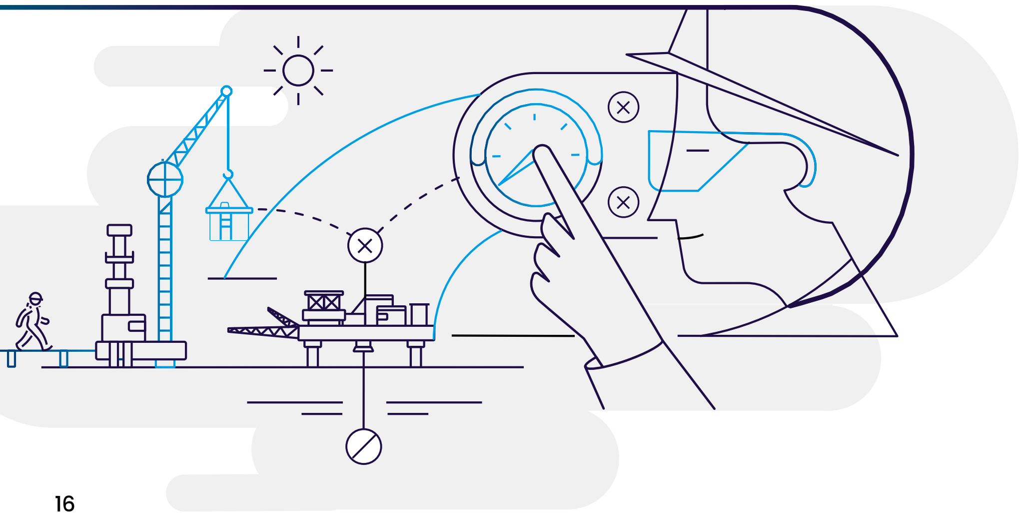
EnQuest is also planning the P&A of 33 subsea wells at the Alma/Galia, Dons and Broom fields and aims to be execution-ready during the second quarter of 2024. The EnQuest team is working on the basis that subsea decommissioning activities can be optimised by utilising a portfolio approach across the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

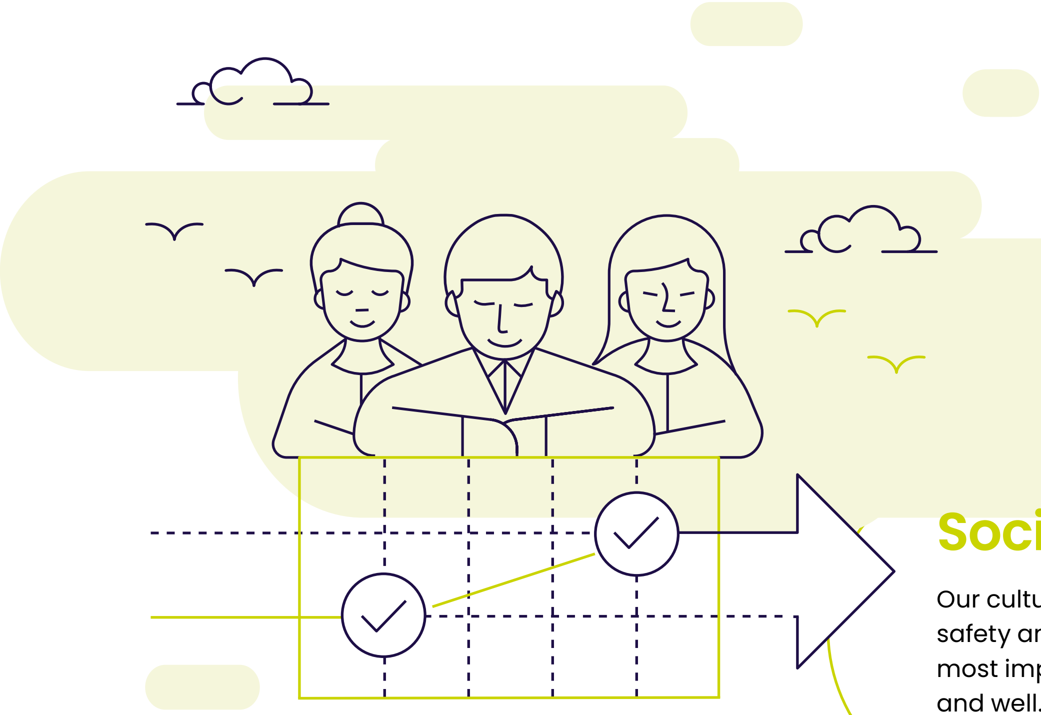
Environmental, Social and Governance ('ESG') factors continue to grow in importance for companies, reflecting the focus on company purpose, widespread concerns about climate change, the importance of stakeholder considerations and the emphasis on long-term value enhancement.

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



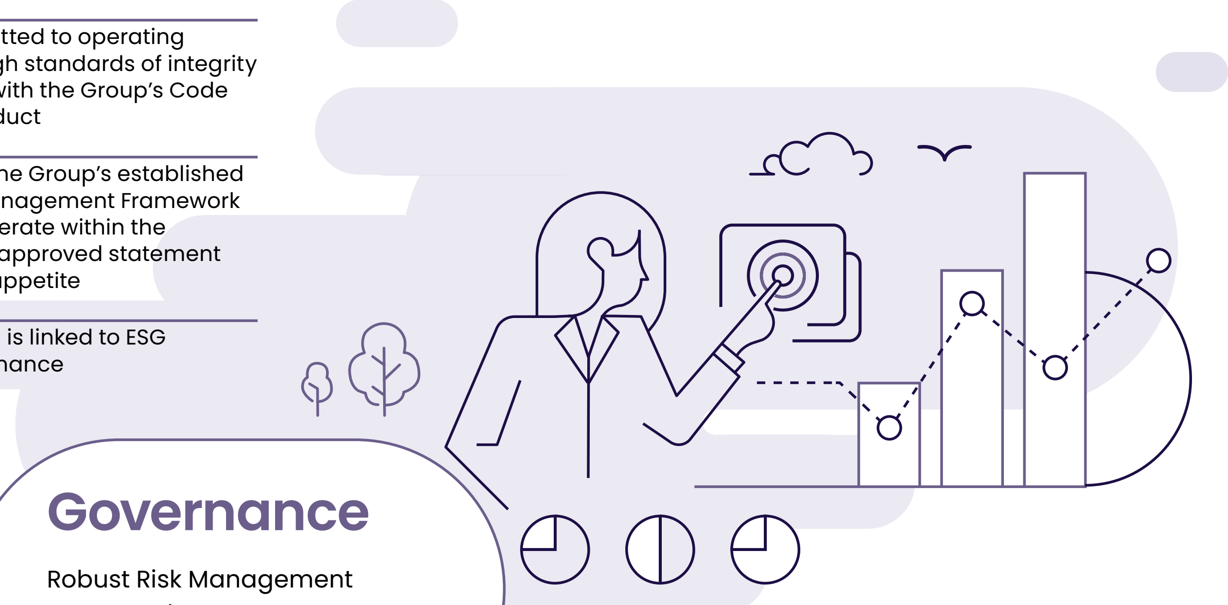
- Committed to operating with a strong culture and Values, in line with the Group's purpose, alongside delivering SAFE Results with no harm to our people
- Committed to improving workforce diversity and inclusion
- Aim to impact positively the communities in which we operate, and prioritising respect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

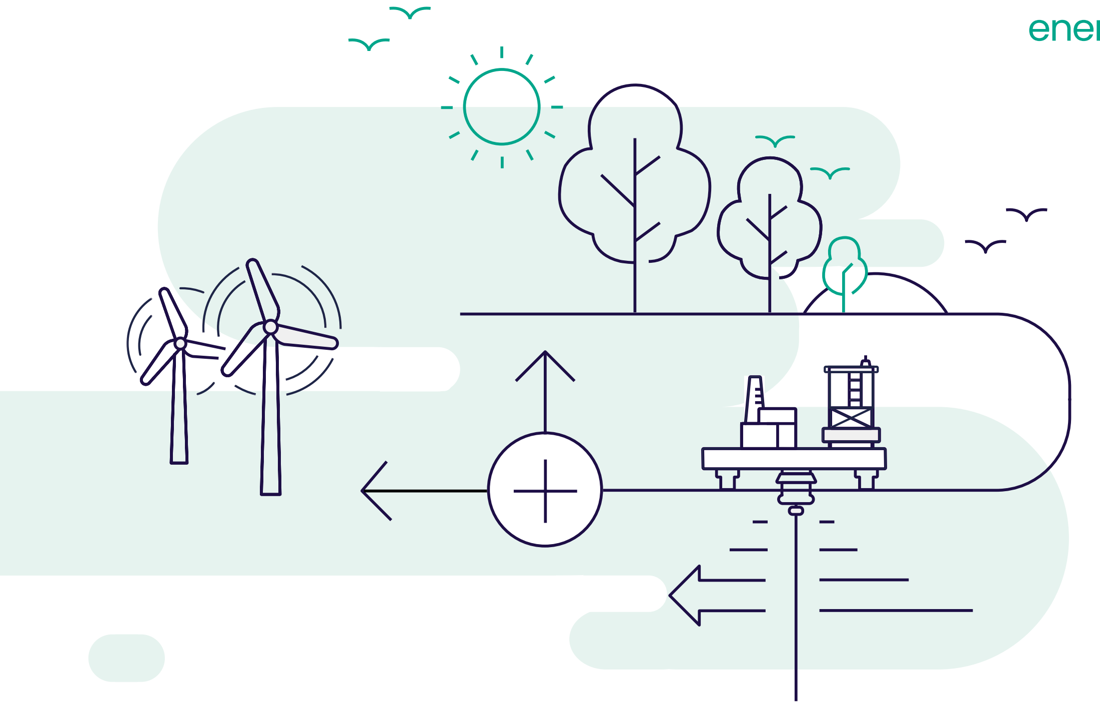
Our sustainability highlights for 2022

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.

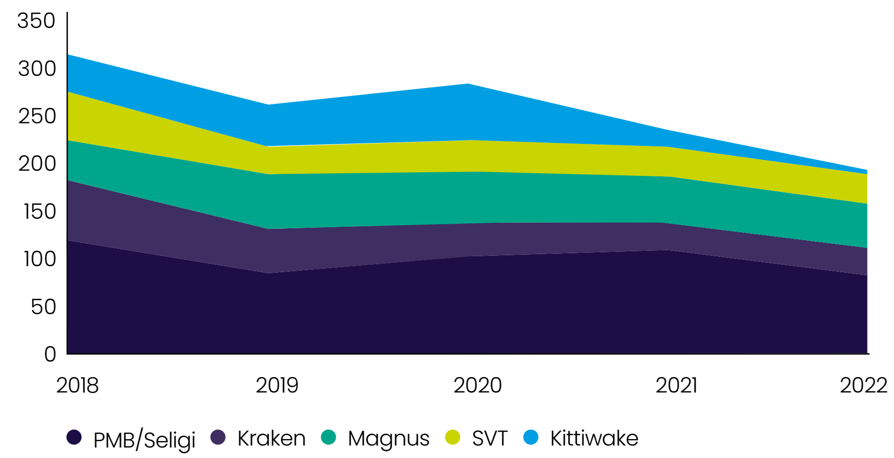
Since 2020, there has been an improvement in EnQuest's flare performance as demonstrated in the graph below.

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

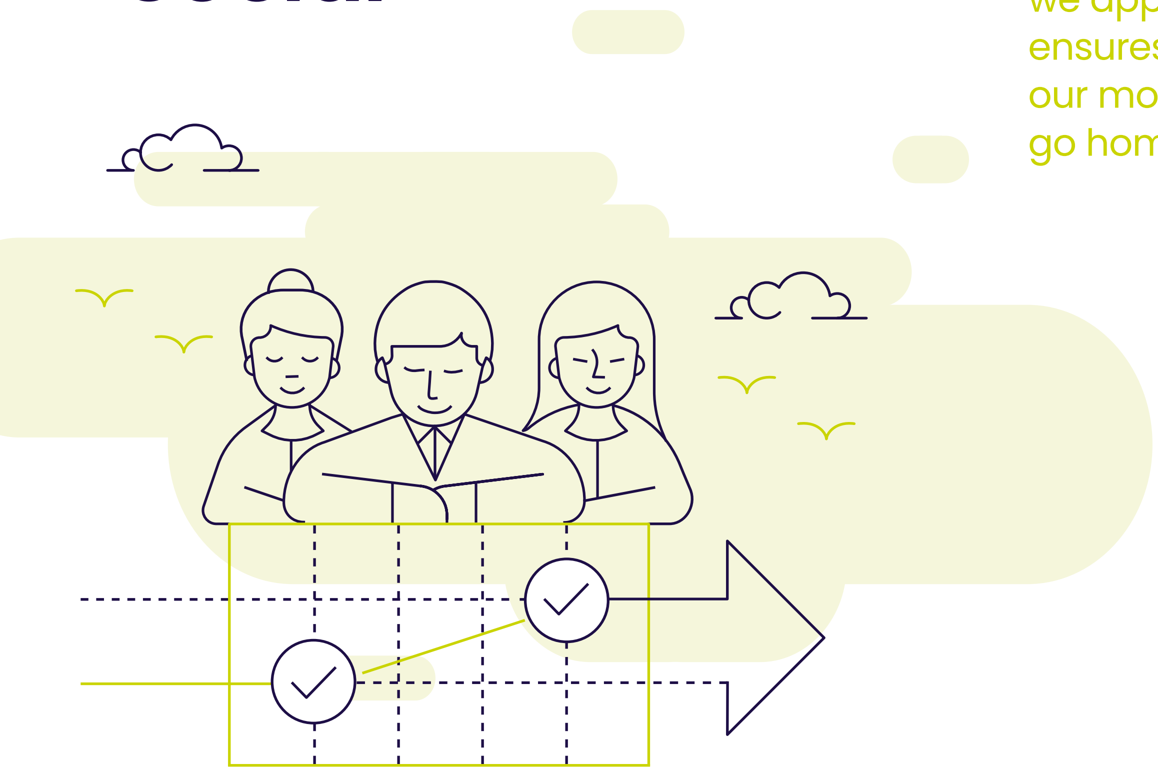


In 2022, the NSTA requested companies operating in the UK North Sea to consider disclosing certain quantitative metrics in their annual reports. The following disclosure has been made in accordance with this request:

North Sea Transition Authority – UK short-term quantitative metrics

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 m² 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 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.

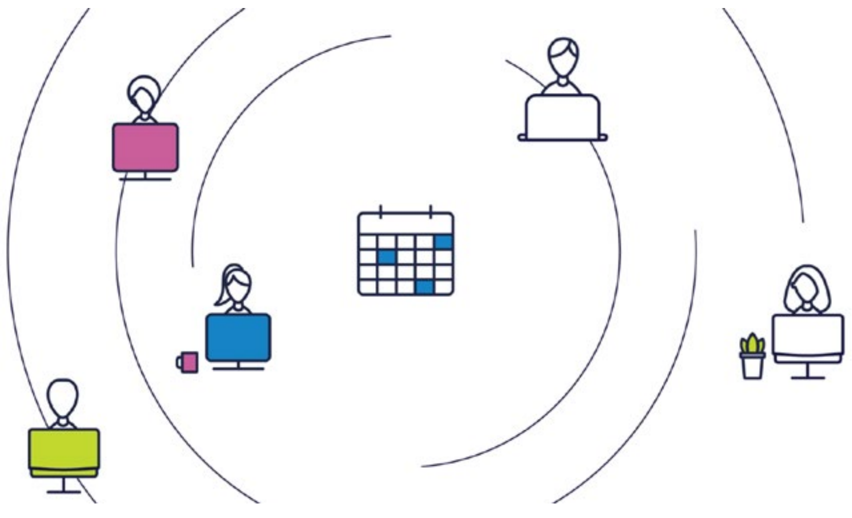
Identifying succession plans for our business-critical roles continued in 2022 to ensure we retain and develop high-potential employees. We conduct regular reviews to ensure the direction, focus and development of employees identified remain relevant and on track. Across the Group, we supported a broad 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.

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



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, 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.

"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'."

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 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)

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:
A B C D E F G H

Appetite

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

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

In 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.

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:
B D E F G

Appetite

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

Mitigation

This risk is being mitigated by a number of measures.

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

The Group monitors oil price sensitivity relative to its capital commitments 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:
B C D E F G H

Appetite

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

Mitigation

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

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

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

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

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

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

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

Risk

FINANCIAL

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

Significant reductions in the oil price, 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:
A B

Appetite

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

Mitigation

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

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:
B C D

Appetite

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

Mitigation

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

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

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.

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
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:
B C E F G

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

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

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

The Group has material reserves and resources at Magnus, Kraken, Golden Eagle and PM8/Seligi that it believes can primarily be accessed through low-cost 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:
A B D E F G H

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

Mitigation
The Group has teams which are responsible for the planning and execution of new projects with a dedicated team for each project. The Group has detailed controls, systems and monitoring processes in place, notably the Capital Projects Delivery Process 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.

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.

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
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:
B C E F G

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

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

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

Risk
REPUTATION
The reputational and commercial exposures to a major offshore incident, including those related to an environmental incident, or non-compliance with applicable law and regulation and/or related climate change disclosures, are significant. Similarly, it is increasingly important 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:
A B D E F G H

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

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

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

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

All EnQuest personnel and contractors are required to pass an annual anti-bribery 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.

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:
A B C D E F G H

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

The Group recognises that the benefits of a lean, flexible and diverse organisation 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.

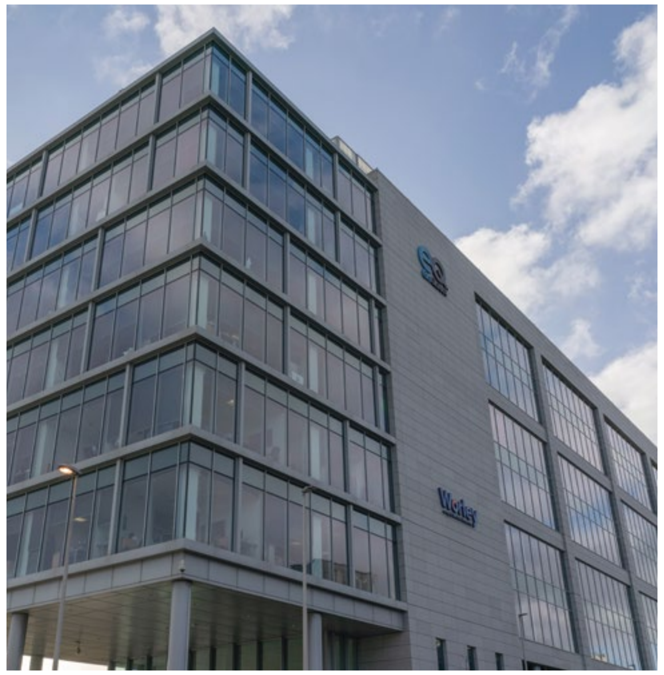
Our employees and everyone we work with help to create and support our reputation, which in turn underpins our ability to succeed. This code addresses our requirements in a number of areas, including the importance of health and safety and environmental protection, compliance with applicable law, anti-corruption, 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

TCFD 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.

Task Force on Climate-related Financial Disclosures continued

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
Transition	**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
Transition	**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)
Transition	**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
Physical	**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	Direct Board level engagement in 2022	Other engagement activities in 2022
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.	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.
B Investors Our investors support management in the execution of EnQuest's business strategy, including the provision of capital for management to develop the business in order to deliver returns in a responsible manner.	Virtual and physical meetings (including the Annual General Meeting, 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.
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.	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.
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.	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.
E Suppliers EnQuest relies on its suppliers to provide specialist equipment and services, including skilled personnel, to assist in the delivery of SAFE Results.	None	The Group has continued its active and positive engagement with its suppliers through various supplier forums, performance reviews, ad hoc virtual meetings and industry events. The Group continues to monitor and report its supplier payment performance. Please also see the Group's Principal risks and uncertainties on pages 40 to 51, a number of which are impacted by the Group's supplier relationships.
F Communities Making a positive contribution, and appropriately managing our environmental impact in the communities in which we live and work around the world, remains a key part of our activities. Our communities provide a potential source of employees, contractors and support services, and are important in supporting EnQuest's social licence to operate and maintaining a positive reputation.	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.
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.	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: A B C D E F G	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: A B C E G	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: A B D	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.