

Task Force on Climate-related Financial Disclosures

Subsea7 supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) which aims to improve the reporting of climate-related risks and opportunities. The following is Subsea7's response to the TCFD.

Governance

TCFD Recommendations: Disclose the organisation's governance around climate-related issues and opportunities

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

Subsea7 recognises the impacts of climate change and the potential effect it may have on its business, customers, markets, and society. The Board is responsible for guiding the Group's strategy in relation to sustainability and climate-related matters, and when defining the objectives, strategies, and risk profiles for the Group's business activities, climate-related risks and opportunities are considered.

In accordance with its charter, the Board has a duty to integrate environmental improvement into its business plans and strategies, and will seek to embed sustainability and climate-related matters into the Group's business processes. The Board will monitor the Group's performance in these areas, and will report to shareholders on progress made. Climate-related issues are directly or indirectly an agenda item at all Board meetings. These meetings take place a minimum of once per quarter and are attended by the Executive Management Team. The Board is responsible for ensuring that environmental risks, which include climate-related matters, are reviewed and incorporated into the Group's strategy. The Board has responsibility for the oversight of progress against goals and targets set for addressing climate-related issues and is responsible for approving the Annual Report which includes climate-related targets and performance data.

In 2022, in recognition of both the risks and the opportunities of the energy transition for Subsea7, the Board appointed a Risk Expert and a Sustainability Expert from amongst its members. Read more about our Board appointments on page 43 of the Subsea7 2022 Annual Report.

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

Subsea7's Sustainability Committee is composed of the Chief Executive Officer and the Executive Management Team and provides leadership to enable the Group to develop and implement its commitment towards sustainability, including the impacts of climate change. In accordance with the Sustainability Committee Charter, climate-related risks are required to be reviewed annually. The Sustainability Committee, provides a platform for all sustainability and climate-related matters pertinent to the business to be discussed and makes recommendations to the Board. The Sustainability Committee meets as often as it determines necessary in order to fulfil its responsibilities and at least once per quarter.

Reporting to the CEO, the Executive Vice President for Strategy and Sustainability oversees the Group's sustainability activities and is responsible for incorporating sustainability into business strategy. Through a materiality assessment, Subsea7 has identified the sustainability priorities that are of greatest importance to its stakeholders, as well as those that have a material impact on Subsea7's business. The achievement of each priority is led by the Executive Management Team with support from Sustainability Priority Work Groups comprised of senior managers, who ensure focused and effective efforts are taken towards achieving its ambitions. This is monitored against targets and key performance indicators. Performance is monitored on a regular basis and, as a minimum, the performance metrics are reviewed twice per year.

Strategy

TCFD Recommendations: 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.

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

Subsea7 has identified climate-related risks and opportunities that may have a strategic or financial impact and these are referenced in the tables on page 28.

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

Subsea7's core markets have entered a period of change shaped by the need to address climate change and move to a lower-carbon economy, while continuing to deliver secure and affordable energy.

Subsea7 recognises the need to assess how the landscape within the energy sector may change to ensure the viability, resilience and profitability of its business. To support our preparedness for potential climate-related impacts and maintain effective management, we consider short- (1-2 years), medium- (5 years) and long-term (beyond 5 years) risks and opportunities in our corporate strategy and financial planning. The impacts of climate-related risks and opportunities are referenced in the tables on page 28.

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

Subsea7's global business plan is developed based on input from each region's assessment of short- and medium-term prospects and the associated risks and opportunities. As part of this assessment, Subsea7's regions refer to third-party data to support its interpretation of the market forecasts and market drivers to assess its business strategy within the offshore energy market evolution.

For long-term planning, Subsea7's regions refer to a range of hypothetical energy transition pathways, supported by third-party climate data from public and trading bodies, commercial analysts and clients to inform internal assumptions and considerations in the development of regional scenarios. The regional scenario analyses are further supported by a set of focal questions to provide Subsea7 with the information to i) successfully characterise future regional markets, ii) anticipate and satisfy future energy market requirements, and iii) adapt to new clients and meet changing expectations to guide strategic decisions going forward.

Subsea7 identified the potential effects of climate change on business and financial performance, how the related risks and opportunities may evolve, and the resulting implications. Given Subsea7's presence in both traditional and renewable energy, it was concluded that regardless of which scenario/pathway dominates, our strategic focus areas remain appropriate and relevant and we can expect significant business opportunities within lower-carbon oil and gas and the renewable markets within the next decade.

Work is underway to further align with the TCFD recommendations.

Climate-related transition risk

Risks	Evaluation	Financial impact	Measures to mitigate risk
<p>Emerging regulation</p> <p>Increased costs due to changes in greenhouse gas emissions legislation including carbon taxes</p>	<p>Time horizon Medium-term</p> <p>Likelihood Likely</p> <p>Magnitude of impact Low</p>	Increased direct costs	<ul style="list-style-type: none"> Continue to monitor emerging regulations with respect to carbon emissions which may have a financial impact on Subsea7 Continue to improve our operational eco-efficiency as part of our decarbonisation plans and reduce the possible impact and cost implications
<p>Emerging regulation</p> <p>Regulation and supervision of climate-related risk in the financial sector could lead to challenges in accessing financial capital</p>	<p>Time horizon Long-term</p> <p>Likelihood Likely</p> <p>Magnitude of impact Medium</p>	Decreased access to financial capital	<ul style="list-style-type: none"> The ability to adjust our portfolio of business towards our lower-carbon oil and gas and renewables markets in support of the energy transition is part of our core strategy Maintain close communication and relationships with the financial sector to monitor emerging regulations and support transparency around Subsea7's future plans within the energy transition as an enabler towards a lower-carbon future
<p>Reputation</p> <p>Increased stakeholder concern or negative stakeholder feedback leading to challenges in attracting human capital</p>	<p>Time horizon Long-term</p> <p>Likelihood Likely</p> <p>Magnitude of impact Medium</p>	Increased direct costs to retain valuable skills	<ul style="list-style-type: none"> Maintain close communication and relationships with current and potential employees to support transparency around future plans and the importance of oil and gas within the energy transition as an enabler towards a lower-carbon future
<p>Technology</p> <p>Risk of transitioning to a lower-carbon future at a pace faster than expected</p>	<p>Time horizon Long-term</p> <p>Likelihood About as likely as not</p> <p>Magnitude of impact Medium-low</p>	Increased direct costs	<ul style="list-style-type: none"> Continue to regularly review the overall risks and opportunities that may impact our long-term resilience including market, technology, legislative, political, geographical and societal drivers Continue to monitor and integrate these aspects in our analyses and strategic decision-making

Climate-related physical risk

Risks	Evaluation	Financial impact	Measures to mitigate risk
<p>Acute physical</p> <p>Risk of significant impact to assets and facilities due to extreme weather including floods</p>	<p>Time horizon Long-term</p> <p>Likelihood About as likely as not</p> <p>Magnitude of impact Medium</p>	Decreased revenues due to reduced production capacity	<ul style="list-style-type: none"> Continued assessment of weather patterns and physical risks of climate change to be monitored with an assessment of the potential impact on our key operational assets Assessment includes mitigating measures and contingency planning should these events take place including flood prevention and hurricane procedures



Climate-related opportunities

Opportunities	Evaluation	Financial impact	Strategy to realise opportunity
Building on our significant well-established position in the offshore renewables market and growing our geographic and service offering within offshore wind	Time horizon Medium-term Likelihood Very likely Magnitude of impact Medium-high	Increased revenues through access to new and emerging markets	Enabling the change and innovation to deliver growth of offshore wind (fixed and floating) Our focus is on: <ul style="list-style-type: none"> • Supporting the growth of Seaway 7 ASA • Securing pilot projects for floating wind at the right risk and reward balance • Building on our early engagement capabilities in offshore wind
Increasing revenue associated with growth in emerging energies and access to new markets	Time horizon Long-term Likelihood Likely Magnitude of impact Medium-high	Increased revenues through access to new and emerging markets	Enabling the change and innovation to deliver growth of emerging energies Our focus is on: <ul style="list-style-type: none"> • Building on our early engagement capabilities in emerging energies • Securing further carbon capture awards at the right risk and reward balance • Actively forming collaborations and being part of the development of emerging energy ecosystems
Development of new products or services through R&D and innovation to support lower-carbon oil and gas solutions, and growth of offshore wind and emerging energy	Time horizon Medium-term Likelihood Likely Magnitude of impact Medium-high	Increased revenues resulting from increased demand for products and services	Advancing innovative products and technologies to support lower-carbon oil and gas, and renewable energy Our focus is on: <ul style="list-style-type: none"> • Continuing to monitor trends and developments that support Group strategy • Continuing to invest in technical and innovative solutions to support the energy transition

Risk management

TCFD Recommendations: Disclose how the organisation identifies, assesses, and manages climate-related risks.

a) Describe the organisation's processes for identifying and assessing climate-related risks

The Group has processes in place to identify, monitor, and manage its principal operational and business risks and the resulting financial impacts. Principal risks are those risks that, given the Group's current position, could materially threaten its business model, future performance, prospects, solvency, liquidity, and reputation, or prevent the Group from delivering its strategic objectives.

The potential exposure to and associated impact of climate-related risks are considered in the long-term strategy of the business. The process for identifying and assessing climate-related risks is considered at a local and global level. At a global level, it is led by a group of subject matter experts and reviewed by the Sustainability Committee. Through a materiality assessment, we identify, assess, and prioritise the sustainability risks and opportunities that are of the greatest importance to our stakeholders as well as those that have a material impact on our business. Further qualitative analysis considers climate-related risk types including current regulation, emerging regulation, technology, legal, market, reputation, and physical risks that may have the potential to impact the business financially or strategically. These risks are considered part of the long-term scenario analysis and planning of the business, which takes into consideration local-level risks.

Subsea7 evaluates short-term risks regularly, particularly project-based risks which are linked to budget management. For example, the operational procedures for our fleet and project execution factor in climate-related risks including sea states and weather windows as part of project scheduling.

Subsea7 identifies medium-term risks, opportunities, and business evolution through a five-year strategic plan. This includes the identification and assessment of climate-related risks at a regional level. This review enables budget allocation, strategic decisions, and regulatory compliance reviews to be performed as well as discussing new and emerging risks and opportunities for which there may be a necessary impact and/or response within the next five years.

Risks identified beyond the five-year horizon are assessed on a qualitative basis. This would include the potential impacts of longer-term climate change on both our strategic direction and financial performance. Long-term risks and opportunities are reviewed beyond five years and include renewal of government policies, market trends and consumer demands.

b) Describe the organisation's processes for managing climate-related risks

The Board has ultimate responsibility for setting the strategy of the Group and for ensuring that appropriate risk management and governance are in place. Processes exist to ensure these matters are an area of focus and that the Board has adequate reporting to fulfil its obligations.

Subsea7's Sustainability Committee, comprising members of the Executive Management Team, manages the Group's sustainability-related risks. The Sustainability Committee meets regularly to discuss pertinent issues relating to our material topics including those that relate to the impacts of climate. Working closely with the Group's Risk Committee, these risks are integrated as part of the Group's overall risk management. The Risk Committee, comprising members of the Executive Management Team and chaired by the Executive Vice President Project and Operations, oversees the Group's overall risk management programme. Both committees are chaired by members of the Executive Management Team and report to the CEO who then has the responsibility to report to the Board.

Reference is made to targets and metrics to assess our performance and our potential exposure to the impacts. Subsea7 is developing its assessment of climate-related transitional and physical risks utilising the TCFD framework as a guide to challenge our norms and consider the longer-term impact.

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

Subsea7, by virtue of its operational activities, has risk management processes embedded throughout each function and discipline, all of which report functionally up to a member of the Executive Management Team, who in turn are Sustainability and/or Risk Committee members. Each area of the business enhances the Group's business management system and risk management processes with regional and business activity specific assessments and mitigation. The reporting lines on operational and regional risks are through the business and ultimately up to the Executive Management Team. Climate-related risks are identified and assessed by a group of subject matter experts, led by the Sustainability Committee as set out in the Committee Charter. Following oversight and verification of the Risk Committee, these risks are integrated as part of the Group's overall risk management.

Metrics and targets

TCFD Recommendations: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

Subsea7 uses Group-wide metrics and targets to assess and manage climate-related risks and opportunities.

Metrics include:

- Scope 1, 2, and 3 GHG emissions
- Percentage of our onshore sites with electricity from renewable energy tariffs
- Carbon emissions and energy saving initiatives
- Revenue, capital expenditure, and operational expenditure aligned to the EU Taxonomy on climate-change mitigation and adaptation
- Revenue associated with Renewables business
- Order backlog and new awards associated with Renewables business
- Gigawatt (GW) of cumulative power capacity of renewables projects supported
- Value and percentage of investment in research and development associated with energy transition
- Number of studies associated with energy transition

In order to meet the global energy demand while reducing the impact of climate change, our industry must seek better and cleaner ways to produce energy and focus capital investment on decarbonising the energy sector. To help achieve our strategy and decarbonisation plans, Subsea7 is developing a Carbon Management System to measure and report our full carbon footprint in greater detail. This will support further engagement within the value chain and enable opportunities to seek alternative options.

b) Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions and the related risks

The Subsea7 2022 Sustainability Report (page 33) details the scope 1, 2 and 3 emissions and boundary of the data. The risks related to greenhouse gas emissions are integrated into our climate-related considerations.

c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

It is Subsea7's target to reduce scope 1 and 2 emissions by 50% by 2035 (compared to a 2018 baseline) and to be Net Zero by 2050.

Renewable energy has become an important part of our business and we aim to support our clients to accelerate the energy transition and to provide their consumers with increasing volumes of affordable wind power. Subsea7 is committed to translating our renewable capabilities into benefits for clients within the fixed offshore wind industry and has set a target of supporting 18GW of cumulative power capacity installed by 2025 and 30GW by 2030.

While we have identified the main areas of focus to support our long-term target, we are currently working to add more detail to our energy transition plan in order to further integrate our strategic direction and carbon-reduction targets with our financial planning, investments, and operations.