Annual Report
2021

BW OFFSHORE

Contents

BOE PER DAY
540 000

EBITDA 2021 USD MILLION
401.3

EXECUTED PROJECTS
40

EMPLOYEES
1 849

UNITS
14

OFFICES
15

We engineer offshore production solutions to progress the future of energy

CEO's letter

We have just completed a strategically important year where BW Offshore made significant progress in becoming a diversified offshore energy company. Our strategy is reflected in three clear priorities for long-term value creation. Growing our core floating production business, extracting maximum value from our conventional FPSO fleet, and building a substantial and growing position in offshore renewable energy infrastructure, in particular floating wind.

STRONG TAILWINDS

I am especially pleased with our first substantial step within renewable energy. The acquisition and listing of BW Ideol makes us an early mover in floating offshore wind, a market with vast long-term potential. By combining BW Ideol's unique floater technology and extensive offshore wind capabilities with BW Offshore's four decades of experience from complex offshore floating production projects, we are well positioned to benefit from long-term growth and value-generation opportunities created by the global energy transition.

Following BW Ideol's journey this past year has been exciting. The culmination, for now, came in January 2022 with the announcement by BW Ideol and its partners in the Floating Energy Allyance that they have secured the rights to develop a 1GW-capacity floating wind farm off the northeast coast of Scotland in the ScotWind leasing round. The award validates BW Ideol's floater technology and project development capabilities and confirms that we made the right decision when investing in early 2021. BW Offshore stands ready to support BW Ideol and its partners in delivering this substantial project.

ATTRACTIVE LONG-TERM RETURNS AND STRONG PARTNERSHIPS

The second transformational milestone to highlight is the 15-year contract with Santos in Australia for the FPSO to the Barossa gas field. The natural gas from the field will, when production starts in 2025, be shipped to utilities in Asia as a cleaner substitute for coal in electricity production.

Barossa represents a new type of infrastructure-like projects for BW Offshore with attractive long-term returns, supported by strong partnerships with equity co-investors and banks. The FPSO concept is based on our own RapidFramework® design, leveraging lessons learned from the BW Catcher development, and proves that we can transfer competence from traditional FPSO projects to the construction of large-scale floating production infrastructure.

BW Offshore has always been an innovative company, willing to explore new and better ways to work, and creating purpose and value for our employees, owners, partners and the communities where we operate. We will continue to be a pioneering organisation guided by our values 'We LEAD with Integrity' in all aspects of our operations.

This also includes taking a step back to evaluate how we maximise the value from our non-core fleet. In April 2021, our FPSO Berge Helene was divested for recycling, in compliance with our internal standard for responsible recycling as well as international standards. In January 2022, we signed an agreement with an Indonesian consortium for the sale of FPSO Joko Tole for further operations under local ownership, and in February 2022, Cidade de São Vicente was sold for recycling, in accordance with the same procedure as for Berge Helene. These transactions follow our strategy to optimise value from the FPSO fleet, while progressing our transition to floating energy infrastructure investments.

FOCUS ON CONTINUOUS IMPROVEMENT

A year ago, I emphasised the importance of strengthening our culture based on the principle of 'Learning from Failure' after we experienced an accident onboard FPSO Espoir Ivoirien, resulting in the loss of two colleagues. During 2021, we have investigated the underlying and systemic issues that may have contributed to the accident. Project Evolve was launched as an extension to this work, with a goal to strengthen the BW Offshore organisation and its capacity to continuously make all efforts to minimise risks and ensure the safety and security of everyone working for the company. We are committed to 'Zero Harm' as the consistent and transparent outcome of all our operations.

As a company, we have a responsibility to all our stakeholders to have a sound environmental, social, and governance framework to guide our business. We seek to communicate transparently on how we manage risks and capture opportunities in the fast-moving energy transition, through our strategy and our sustainability and governance reporting, as you can read more about in this annual report.

A STRONG FOUNDATION FOR FUTURE VALUE CREATION

The Covid-19 pandemic continues to affect operations and the market environment. Higher energy prices in 2021 and into 2022 are a sign of improved market fundamentals supported by vaccines and more normalised global activity levels. We, like the rest of the world, still have to handle the pandemic, which includes following public health advice concerning vaccinations, travel restrictions, quarantine protocols for our offshore personnel and other measures such as continued use of home offices.

Despite these challenges, we maintained 95 per cent commercial uptime in 2021 and significantly progressed strategic initiatives. I recognise the work put in by the entire BW Offshore team to make this possible, and would like to extend my gratitude to every single employee, contractor and business partner, and especially to our very own offshore teams for their dedication through the year.

WE ENGINEER OFFSHORE PRODUCTION SOLUTIONS TO PROGRESS THE FUTURE OF ENERGY

I am proud to lead a company with a clear purpose that sets our course moving forward.

This guides our strategy and the opportunities we pursue to grow within offshore energy infrastructure and low-carbon solutions, in order to generate sustainable and growing returns to all our stakeholders over time.

Marco Beenen
CEO

> "BW Offshore has always been an innovative company, willing to explore new and better ways to work, and creating purpose and value for our employees, owners, partners and the communities where we operate.

BW Offshore in brief

BW Offshore engineers innovative floating production solutions, and has nine FPSOs in operation. By leveraging four decades of offshore operations and project execution, the Company creates tailored energy solutions for evolving markets worldwide.

The BW Offshore team delivers with a combined engineering and operating mindset when designing new FPSOs, preparing redeployments and exploring new opportunities. The Company fosters a culture where people grow and thrive.

BW Offshore has around 2 000 employees and is publicly listed on the Oslo Stock Exchange.

Read about BW Offshore's history on the Company's website.

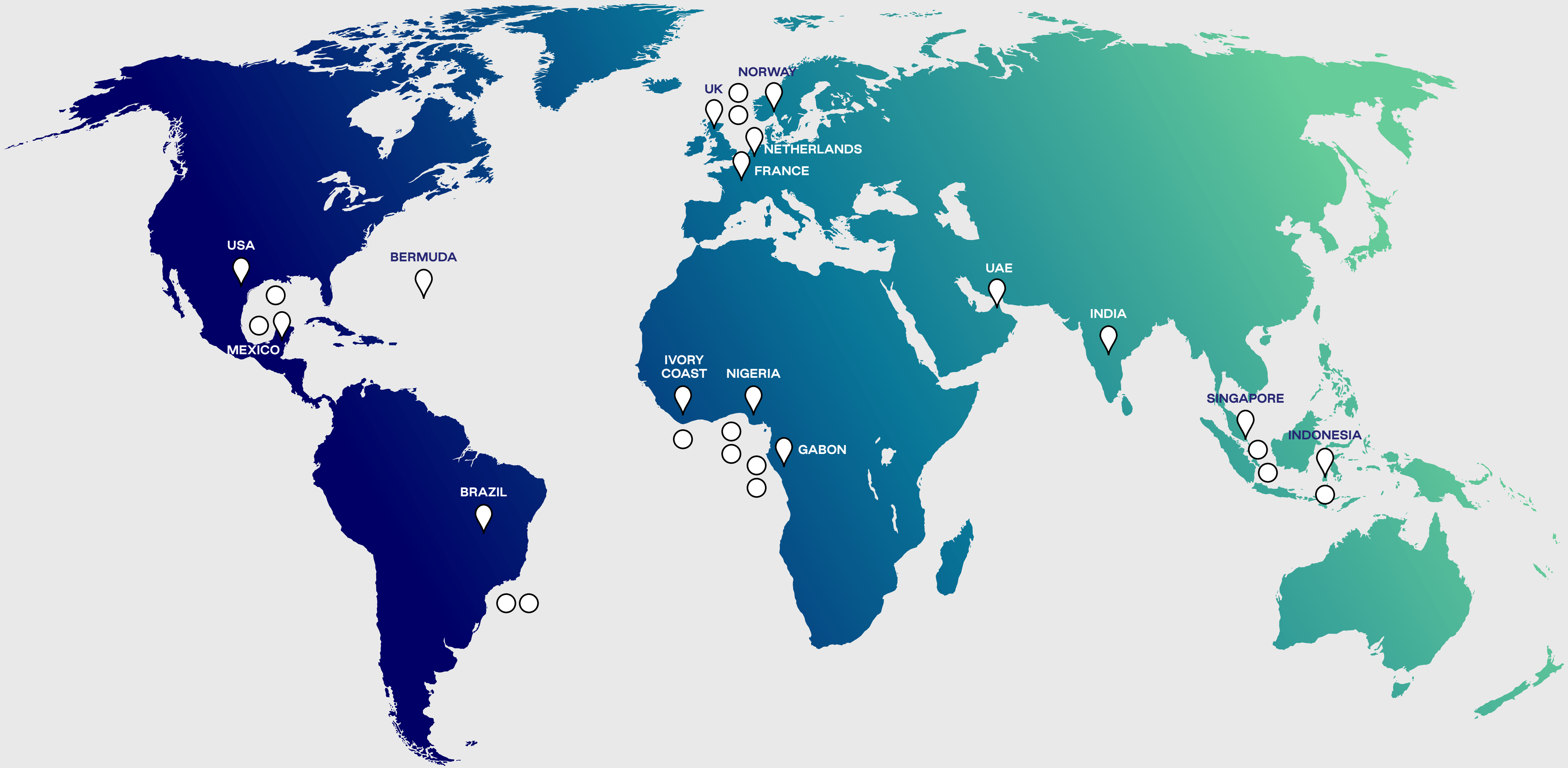
KEY EVENTS

- Signed USD 4.6 billion, 15-year firm FPSO Services contract for the Barossa project with Santos.
- Successfully completed Floating Wind subsidiary BW Ideol private placement and listing on Euronext Growth.
- One-year contract extensions for Sendje Berge and ABO FPSO.
- Recycling of Berge Helene in compliance with Hong Kong International Convention.
- Total FPSO contract backlog of USD 7.7 billion.
- Quarterly dividend payments, totaling USD 25 million annually.
- USD 66 million in gross proceeds from block sale of shares in BW Energy in October.

KEY FIGURES

Commercial uptime		95.0%
LTI	Per million hours	0.78
Operating revenues	USD million	829.3
EBITDA	USD million	401.3
EBIT	USD million	42.0
Operating cash flow	USD million	510.2
Net profit	USD million	62.2
Total assets	USD million	3 009.7
Total equity	USD million	1 021.4
Equity ratio		33.9%
Market cap	USD million	547
Enterprise value	USD million	1 409
Daily export	BOE per day	540 000

Global footprint



AFRICA
Abo FPSO
BW Adolo
Espoir Ivoirien
Petróleo Nautipa
Sendje Berge

EUROPE
BW Athena
BW Catcher

AMERICAS
BW Cidade de São Vicente
BW Pioneer
FPSO Polvo
YÙUM K'AK'NÁAB

SOUTH EAST ASIA & OCEANIA
BW Joko Tole
BW Opportunity
Umuroa

OFFICES
UNITS

Note: Global footprint per year end 2021.

GO BACK

A diversified offshore energy company

Access to safe and affordable energy is essential for the development of people, businesses and societies around the world – and there is an increasing global demand for more and cleaner energy. These factors are shaping today's offshore industry, and are reflected in BW Offshore's strategy and purpose: to engineer offshore production solutions to progress the future of energy.

BW Offshore is committed to responsible growth, with the courage to explore new ventures that create value for all its stakeholders. The Company seeks to generate positive returns by finding innovative solutions to the opportunities and challenges of the energy transition. BW Offshore is leveraging its proven capabilities in developing flexible floating production assets, as well as applying its expertise and experience to adjacent business segments.

This ambition is reflected in the framework guiding the most significant strategic development since offshore production commenced in 1982, with the LPG FPSO (floating production storage and offloading) Berge Sisar off the coast of Angola.

Establishing BW Energy as a standalone, publicly listed upstream exploration and production (E&P) company from early 2020 is an example of how BW Offshore has been able to build a new business segment by applying current competencies and adopting new ones.

By evolving from a pure-play FPSO lease-and-operate model to a diversified offshore energy company, BW Offshore is shifting more of its financial and operational resources towards the value creation opportunities of low-carbon energy solutions. This transition is enabled by the Company's long-term cashflow generation from floating offshore oil and gas production, which supports safe, stable and affordable energy supply.

The launch of BW Ideol in 2021 was an important next step. This involved applying in-house competencies, capabilities and assets to create a leading global offshore floating wind company with a dual strategy — both wind farm project developer and EPCI (engineering, procurement, construction and installation) provider, based on the proprietary Damping Pool® technology.

BW Offshore continues to explore additional investment opportunities, positioning the company for sustainable value creation in a changing energy landscape.

A CHANGING LANDSCAPE

The global energy market transition reflects both public environmental concerns and political commitments to reduce carbon emissions. The transition is a crucial component in achieving the 1.5-degree Celsius global warming ambition stated in the 2015 Paris Agreement, which was reaffirmed at the UN Climate Change Conference (COP26) in November 2021.

BW Offshore is committed to minimising the impact of the Company's activities over time, while applying the full scope of its capabilities to ensure safe and secure operations — and to enable its clients to deliver on their supply commitments to end users.

After years of underinvestment in the oil and gas industry and a gradual normalisation of energy demand through the Covid-19 pandemic, oil and gas prices have recovered to levels that support profitable investments. Investments in renewable energy sources are also growing rapidly, led by solar and wind. A combination of technology innovation and scale is crucial to reducing costs and improving the outlook for long-term energy investments.

Despite this growth, the predicted increases in solar, wind and other renewable energy capacity remain insufficient to meet long-term energy demand, which is driven by population growth and urbanisation. Many renewable energy sources also lack the flexibility to efficiently adjust output to shorter-term demand cyclicality.

Oil and gas are therefore expected to remain significant contributors to the global energy mix, even in sustainable growth scenarios, with natural gas a preferred source of energy to accelerate the phase-out of coal. Macroeconomic factors are increasingly conducive for oil and gas companies to proceed with new, large investment projects, as Brent prices have moved to levels well above break-even in most regions.

Executing on strategic priorities

Within this changing landscape, BW Offshore has defined a set of clear strategic priorities for long-term value creation.

1. Growing the core floating production business through new offshore energy infrastructure projects
2. Extracting maximum value from the conventional FPSO fleet
3. Building a substantial and growing position in offshore renewable energy infrastructure

Positioned for the future

BW Offshore plans to grow through the execution of value-accretive offshore energy projects. Over time, the Company will shift an increasing share of resources towards global energy transition opportunities. The Company has a sound financial position, enabling investments in offshore energy infrastructure projects and low-carbon solutions, while providing growing shareholder returns.

OPERATIONS AND MAINTENANCE EXPERTISE

The Company is a trusted partner for clients seeking to outsource the technical competence needed to operate complex offshore assets. With its existing operational network, the Company offers synergies that are difficult for a client to obtain on a standalone basis. These include well-established infrastructure, manning pools and supply chain networks, as well as familiarity with regulatory requirements, technical maintenance and life cycle cost management.

BW Offshore is committed to safe, efficient, reliable and compliant operations, with Zero Harm as an overriding objective for personnel, communities and the environment. Safe operations and high uptime are not only requirements but obligations with regard to clients and employees.

DIGITALISATION OF THE FPSO FLEET

By using available technology in innovative ways, BW Offshore is tapping into artificial intelligence, the Internet of Things and machine learning. In 2021, the Company launched an Integrated Operational Integrity performance dashboard that provides a real-time overview of fleet asset integrity and performance assurance status.

Strategic priority 1

Growing the core floating production business through new energy infrastructure projects

The Company has established clear selection criteria for new offshore oil and gas production projects, targeting infrastructure-type projects with:

- Investment grade counterparties
- Firm contract periods >15 years
- Project execution and co-investing with partners

The Barossa project in Australia, for which the contract was awarded in 2021, was the first to reflect the selection criteria above. The project execution combines engineering, procurement, construction and installation (EPCI) capabilities and operational experience to generate strong cashflows and the required return over time. This is supported by a robust financing structure with top-tier equity partners, leading banks and significant customer prepayments.

BW Offshore aims to secure one new project of this type every two to three years, fully leveraging the organisation, capturing scale benefits and improving long-term returns. Working and co-investing with partners provides additional execution capabilities and financing capacity, and de-risks the project development phase.

Demand for lease-and-operate solutions is expected to increase, based on the evolving capital allocation priorities of the major oil and gas companies. At the same time, lenders and equity investors are becoming more selective, favouring large infrastructure-type projects with long-term cashflow visibility. BW Offshore is well positioned to capture such opportunities.

With experience in all phases – from design and engineering through to long-term operations – BW Offshore has a competitive advantage when it comes to providing clients with an efficient total life cycle cost.

Over the past four decades, BW Offshore has completed 40 FPSO and FSO developments and operated most of the assets after completion, building unique competencies and a very robust platform for the execution of future projects. Additionally, BW Offshore has valuable insights into developing and managing reservoirs, making the Company an even stronger partner for current and future clients.

BW Offshore's core fleet is made up of the BW Catcher, BW Pioneer and BW Adolo FPSOs, all operating on multi-year contracts, and the Barossa FPSO, which is under development. The four vessels represented 98 per cent of the firm and probable revenue backlog at the end of 2021.

Strategic priority 2

Extracting maximum value from the conventional FPSO fleet

The conventional FPSO lease-and-operate business model typically involves short-to-medium contract durations, multiple option periods and residual value exposure. This makes it difficult to meet the risk-adjusted return requirements in a market with increased macro uncertainty and energy price volatility.

At year end, the Company's conventional fleet comprised six FPSOs on short-term contracts and five in lay-up, which in combination accounted for 2 per cent of revenue backlog. The conventional FPSOs in operation are all coming off their firm contracts within the next 12 months. The Company will ensure safe and secure operations during the remaining firm and option periods. Two of the idle units, FPSO Polvo and BW Opportunity, are considered potential candidates for redeployment with specific projects identified, while the remaining three vessels have been designated as candidates for recycling.

BW Offshore, in collaboration with BW Energy, will selectively seek redeployment projects that meet return requirements in order to maximise the value of suitable units. For the remaining units, the Company may divest units to local operators with different cost bases and return requirements, and/or recycle idle vessels to reduce lay-up costs and realise recycled steel values.

GO BACK

Strategic priority 3

Building a substantial and growing position in offshore renewable energy infrastructure

BW Offshore is committed to contributing to the energy transition by developing low-carbon offshore energy production solutions. The Company is applying four decades of experience in the sector, with extensive innovation and financing capabilities, to develop floating energy solutions and offshore renewable power production at industrial scale.

The primary investment in offshore floating wind is through a 53.2 per cent ownership of BW Ideol, a global market leader with more than 10 years' experience in the design, execution and development of floating wind projects, based on proprietary and patented technology and engineering capabilities.

BW Ideol's mission is to create a sustainable future, using floating technology to unlock the vast potential of offshore wind. BW Ideol has two full-scale offshore floating wind turbines in operation in France and Japan, and a significant project pipeline including ongoing commercial scale tenders.

BW Ideol is making good progress in executing its dual growth strategy. Several development projects are moving ahead, and the initial investments as a wind farm co-owner have been made. As part of the Floating Energy Allyance (FEA), BW Ideol secured the rights to develop a floating offshore wind farm with an approximate capacity of 1GW off the north-east coast of Scotland, through Crown Estate Scotland's ScotWind leasing round in January 2022. The development will be supported by BW Offshore's extensive experience of developing and operating energy production systems.

Political and financial commitments to reducing the carbon intensity of global energy systems continue to gain momentum, using solutions such as floating wind, hydrogen, ammonia and carbon capture. BW Offshore will consider opportunities to apply its financial, development and operational capabilities to transition-related offshore production solutions and technologies. Investment decisions will be based on a disciplined policy, with clearly defined requirements in terms of long-term returns, accretive partnerships, and use of appropriate capital sources.

This includes combining existing FPSO and floating wind capabilities to develop and deploy clean offshore energy production and develop new adjacent business areas. These may include low-carbon FPSOs powered by floating wind or floating gas-to-power plants.

Directors' report 2021

Progressing strategic initiatives for long-term value creation.

During 2021, BW Offshore made significant progress in executing its dual-track strategy of evolving the core floating production business and capturing energy transition opportunities by developing adjacent business areas. The FPSO fleet delivered stable commercial uptime in a continued challenging operational environment, and the Company maintained a robust financial position and paid quarterly dividends.

These achievements were supported by a strong internal operational integrity framework and a focus on business continuity and development, while the Company continued to prioritise management of the impact from the Covid-19 pandemic.

The award of the FPSO contract for the Barossa natural gas field in Australia, and the creation of BW Ideol as a leading global offshore floating wind project developer and technology provider, were the main strategic initiatives executed in 2021.

The Barossa FPSO project reflects a shift for the FPSO business into infrastructure developments that increase long-term backlog and financial performance. The project model enables long-term returns with robust counterparties and accretive partnerships.

The Company will selectively progress similar opportunities and has the ambition and capacity to deliver one new project approximately every second year. These projects must meet defined return requirements during the firm contract period, with investment-grade counterparties, co-investors to optimise capital requirements and partnerships for increased execution capacity and risk-sharing.

BW Ideol is an offshore floating wind company addressing the rapidly growing demand for offshore power production through in-house developed and proven floater technology, supported by BW Offshore's global experience as a developer of offshore projects. The investment in BW Ideol is in line with the Company's strategy to apply its competencies to drive value creation in the ongoing energy transition and position BW Offshore as a provider of clean energy solutions for the coming decades.

Ensuring financial flexibility to pursue value-accretive growth opportunities is a priority for BW Offshore. The Company has a strong platform for long-term value creation following debt and bond refinancing in recent years, and the listing of the E&P business BW Energy in early 2020. In October 2021, BW Offshore sold 20 million shares in BW Energy for USD 66 million in gross proceeds for growth opportunities within energy infrastructure, including FPSO and renewable energy investments. Co-investment in infrastructure projects, similar to the Barossa equity joint venture partnership, is another enabler for improved capital allocation and increased financial flexibility.

BW Offshore has a financial position which supports growth into accretive offshore energy projects and long-term value creation.

FPSO OPERATIONS

As of 31 December 2021, BW Offshore had nine out of 14 FPSOs in operation. The Company reports on actual average commercial uptime, not a weighted average, and the 2021 commercial uptime for the operating fleet was 95 per cent (96.7 per cent in 2020). Commercial uptime was impacted by planned shutdowns on Espoir Ivoirien and an extensive tank inspection programme on Sendje Berge.

The Group's order backlog amounted to approximately USD 6.5 billion of firm contracts and USD 7.7 billion when including contract extension options.

In March 2021, the Company signed a 15-year firm FPSO lease-and-operate contract for the Barossa gas field, offshore Australia. Initial gas production from the FPSO is targeted for the first half of 2025. The firm period contract value is USD 4.6 billion. The total FPSO project cost of around USD 2.4 billion is financed through a combination of bank debt and equity partners, and approximately USD 1 billion in pre-payments during the construction period by the Barossa Upstream Joint Venture Partners. All key subcontractors were assigned at year end and purchase orders for all major mechanical packages have been issued. This provides good visibility for available resources and project timeline. By proactively locking in vendors and equipment packages, the Company has managed to mitigate cost inflation and maintain schedule despite continued challenges affecting global supply chains.

In April 2021, BW Offshore completed the sale of Berge Helene for environmentally safe demolition and recycling in compliance with the Hong Kong Convention at Priya Blue shipyard in India. Grieg Green has been nominated as representative on site at the yard to monitor progress, compliance with environmental and safety regulations as well as proper application of BW Offshore's ship recycling policy.

FPSO Polvo reached the end of contract in July 2021. The unit has been demobilised from the field and is currently en route to the Middle East, where planned condition assessment will be undertaken while awaiting a final investment decision on BW Energy's Maromba field development.

In November, BW Offshore signed an agreement for a one-year extension for the lease and operation of FPSO Sendje Berge. In January 2022, the Company extended the contract for the Abo FPSO. Both contracts were extended until the end of 2022.

BW Opportunity is being marketed for new projects, while BW Athena and Umuroa are currently in lay-up and are considered to be candidates for recycling.

In January 2022, BW Offshore signed an agreement with an Indonesian consortium for the sale of FPSO Joko Tole for further operations under local ownership. The transaction is part of BW Offshore's strategy to transition to floating energy infrastructure investments.

In February 2022, BW Cidade de São Vicente was sold for demolition and recycling in accordance with the same procedure as for Berge Helene, to ensure environmentally safe demolition and recycling of the unit.

OFFSHORE FLOATING WIND

BW Offshore is actively engaged in the energy transition by developing clean energy production solutions, applying its offshore engineering and operations capabilities to drive future value creation through its 53.2 per cent ownership in BW Ideol, a leading floating offshore wind company.

BW Ideol was listed on Euronext Growth Oslo in March 2021, and has a dual strategy as a floater EPCI (Engineering, Procurement, Construction and Installation) and maintenance services provider, and as a floating wind farm project developer and co-owner.

In January 2022, BW Ideol secured close to 1GW of offshore floating wind acreage in the ScotWind leasing round as a partner in the Floating Energy Allyance. In addition, the company has two full-scale offshore floating wind turbines in operation in France and Japan as well as a significant project pipeline in these countries.

HEALTH, SAFETY, SECURITY, ENVIRONMENT, QUALITY

Health, safety, security, environment and quality ('HSSEQ') have the highest priority throughout the BW Offshore organisation. The Company has established policies for safety, security, occupational health and environmental management. BW Offshore prioritises safety in all its operations and has 'Zero Harm' as an overriding objective for personnel and the environment to ensure all assets are operated in the safest manner. The Company also shows due respect for the individual, human rights and employment practices.

BW Offshore is committed to achieve sustainable development and integrates corporate responsibility in all processes and daily operations, seeking to meet the Company's environmental, social and governance (ESG) related targets. For more information, please see the Sustainability section of this annual report.

Despite strong focus on HSSEQ, an accident regrettably occurred onboard Espoir Ivoirien on 14 January 2021, which resulted in two fatalities as hydrocarbons leaked into a tank where work was being carried out. The Change Programme 'Project Evolve' was initiated following the internal investigation to address underlying issues. The goal is to apply lessons learned, derived from a company-wide engagement with the workforce, in all relevant areas of the organisation. The programme represents a long-term commitment driven by the Company's Senior Management to mature the culture based on openness, Learning from Failure and the Stop Work Policy, with the overall objective to ensure safe and secure operations.

BW Offshore has proactively taken steps to minimise risk of business interruption due to the Covid-19 pandemic, by implementing comprehensive procedures to safeguard people and operations and adhering to local public health advice across all locations. The vaccine roll-out and a normalisation of global industry and business activity in 2021 led to a recovery in energy demand and prices, and supported a positive momentum throughout the oil and gas industry during the year.

Throughout 2021, the impact on operations was managed through good risk management, planning and procedures, but still resulted in a direct financial impact of approximately USD 19 million related to additional crew management, quarantine and logistics.

FINANCIAL PERFORMANCE

Income statement

Group revenue was USD 829.3 million in 2021 compared to USD 886.3 million in 2020. Total operating expenses were USD 428.0 million compared to USD 450.2 million in 2020.

Operating profit before depreciation, amortisation, impairment and sale of assets (EBITDA) for 2021 was USD 401.3 million compared to USD 436.1 million in 2020.

In 2021, BW Offshore recorded an impairment on the FPSO fleet of USD 90.5 million. The impairment reflects reduced probability of extension of current contracts, as well as lack of redeployment opportunities after end of contract period for the more mature part of the FPSO fleet. Impairment charges were recognised on BW Athena, Espoir Ivoirien, Berge Helene, Sendje Berge, Joko Tole, Petróleo Nautipa and Umuroa.

Operating profit was USD 42.0 million, compared to an operating loss of USD 140.6 million in 2020.

Share of profit of equity-accounted investees was USD 33.5 million compared to a loss of USD 15.7 million in 2020 and included BW Offshore's share of net result from the ownership in BW Energy. In October 2021, BW Offshore sold 20 million shares in BW Energy for USD 65.7 million in gross proceeds. This transaction resulted in a gain of USD 14.9 million.

Net financial expenses were USD 28.6 million compared to USD 115.7 million in 2020. The decrease was mainly due to fair value effects on financial instruments and positive effects from currency exchange gains.

The Group recognised net tax income of USD 15.3 million, compared with a tax expense of USD 38.0 million in 2020. BW Offshore had tax losses carried forward in Australia from a previous operation linked to the acquisition of Prosafe Production. This tax loss has previously not been recognised in the balance sheet as BW Offshore has had no operation in Australia in recent years. With the signing of the Barossa FPSO contract, it is anticipated that this tax loss can be utilised and consequently a deferred tax asset of USD 60.7 million was recognised in 2021 resulting in a net tax income for the year. The Group has also written down a deferred tax asset of USD 11.8 million relating to the sale of Joko Tole.

Net profit for 2021 was USD 62.2 million compared to a loss of USD 272.3 million for 2020.

Financial position

At 31 December 2021, the Group had a net equity of USD 1 021.4 million compared to USD 945.0 million as of 31 December 2020. The equity ratio at the end of 2021 was 33.9 per cent, compared to 36.5 per cent at the end of 2020.

At 31 December 2021, the Group had interest-bearing debt of USD 927.6 million compared to USD 1 075.7 million in 2020. The interest-bearing debt comprises mainly the Catcher facility, the corporate loan facility, convertible bond, unsecured bond loan and a finance liability relating to the Barossa project.

Net interest-bearing debt as of 31 December 2021 was USD 653.4 million compared to USD 936.1 million in 2020.

Cash flow

Net cash inflow from operating activities was USD 510.2 million compared to net cash inflow of USD 387.3 million in 2020. The increase was mainly driven by prepayments relating to the Barossa project starting in March 2021.

Net cash outflow from investment activities amounted to USD 323.0 million, compared to USD 149.6 million in 2020. The increase was mainly related to investment in the Barossa project and investment in BW Ideol, partly offset by net proceeds from the sale of shares in BW Energy.

Net cash outflow from financing activities amounted to USD 52.6 million compared to USD 348.3 million in 2020. The decrease in outflow mainly relates to financing of the Barossa project and proceeds from BW Ideol share issue.

Dividends

During 2021, BW Offshore paid USD 25.3 million in dividends to shareholders, equal to USD 0.035 per share per quarter.

PARENT COMPANY ACCOUNTS

BW Offshore Limited is a holding company. The Company reported a net loss of USD 282.7 million for 2021, compared to a net loss of USD 156.9 million in 2020. The loss for 2021 is mainly related to impairment of investment in subsidiaries, associates and intercompany loans.

Total assets were USD 1 414.7 million as of 31 December 2021 compared to USD 1 785.4 million in 2020.

Total shareholders' equity in BW Offshore Limited as of 31 December 2021, was USD 276.2 million, corresponding to an equity ratio of 19.5 per cent.

GOING CONCERN

Based on the Group's overall position at the end of the year, as well as the current outlook, the Board believes BW Offshore has a good foundation for continued operations. The accounts have been prepared on a going concern basis.

ORGANISATION

BW Offshore is represented in the major energy regions worldwide, across Asia Pacific, the Americas, Europe and West Africa, supported by local onshore teams and is an organisation with a global presence.

At year end 2021, BW Offshore had 1 849 employees including contract staff, compared to 1 927 in 2020.

The working environment and culture in BW Offshore are considered strong, and there is continuous focus on initiatives for improvement. In 2021, onshore absence due to sickness was 1.4 per cent of the total hours worked by employees. This compares to 1.2 per cent in 2020.

BW Offshore strives to be an attractive workplace which offers challenging and motivating jobs and equal development opportunities for all. There is no discrimination due to gender, nationality, culture or religion with respect to remuneration, promotion or recruitment. The Company is committed to recognising diversity and inclusion, to ensure equal opportunities, and providing fair employment conditions.

CORPORATE GOVERNANCE

The Board of Directors of the Company has adopted a Corporate Governance policy to reflect BW Offshore's commitment to good corporate governance. This policy is based on the latest update to the 'Norwegian Guidelines on Corporate

Governance', prepared by the Norwegian Corporate Governance Board. BW Offshore's Corporate Governance policy complies with the Norwegian Guidelines, with certain deviations, as outlined and explained in the Corporate Governance Report in this annual report.

RISK

BW Offshore's risk exposure is analysed and evaluated to ensure sound internal control and appropriate risk management based on internal values, policies and code of ethics. The Group is exposed to operational and financial risks (including currency risk, interest rate risk, credit risk and liquidity risk).

The most important operational risk factors are related to the operation of FPSOs and project execution, which could lead to accidents and oil spills to the environment if not managed properly.

On a fleet-wide basis, the Group takes out insurance coverage for its crew and support staff, pollution and clean up, damage to vessels, third-party liabilities and on some units' loss of hire. The insurance also covers losses resulting from acts of war and terrorism. Coverage for oil pollution and oil pollution caused by war and war-like actions is limited per incident.

BW Offshore Ltd has purchased and maintains a Directors and Officers Liability Insurance issued by a reputable insurer with an appropriate rating.

The overall financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

During 2021, the Company registered a shift in investor attention to energy transition activities with capital increasingly being allocated towards electrification and clean fuels. This may over time lead to increased uncertainty related to access to financing and the capital cost for new hydrocarbon-based projects as well as increased costs to comply with changing regulatory requirements.

BW Offshore's operational activities are subject to tax in various jurisdictions. As contracts with clients are long-term in nature, the Group's results are exposed to risk of changes to tax legislation.

OUTLOOK

The Company expects that core units in the existing fleet will continue to generate significant cash flow in the time ahead. The firm FPSO contract backlog at end of 2021 amounted to USD 6.5 billion when including the Barossa contract. With probable options, the backlog was USD 7.7 billion at the end of the year.

The Covid-19 pandemic continues to affect operations and the market environment. Higher energy prices in 2021 and into 2022 are a sign of improved market fundamentals as distribution of vaccines accelerates and more nations normalise activity levels.

The oil and gas industry is expected to continue to focus on progressing long-term large field development initiatives with low break-even costs and low carbon emissions. This expectation is supported by the higher oil and gas prices. BW Offshore maintains a selective approach to such opportunities, progressing discussions on only a few high-end projects which can be developed in partnership with global infrastructure investors.

The Company is seeking to optimise the current asset portfolio considering the overall cost base. This includes potential divestment or recycling of units if FPSO redeployment opportunities do not materialise.

BW Ideol is BW Offshore's vehicle for investment in floating offshore wind. The company is progressing multiple projects supported by the funding from the private placement in 2021.

With the recent divestment of FPSO assets and part of the shareholding in BW Energy, the Company has further strengthened the balance sheet, and is positioned for growth into accretive offshore energy projects and long-term value creation.

27 February 2022

Sign	*Sign*	*Sign*	*Sign*	*Sign*
Mr Andreas Sohmen-Pao	Ms Rebekka Glasser Herlofsen	Mr Maarten Scholten	Mr René Kofod-Olsen	Mr Carl K. Arnet
Chairman	Director	Director	Director	Director

Board of Directors

ANDREAS SOHMEN-PAO
Chairman

Andreas Sohmen-Pao is Chairman of BW Group and listed affiliates BW Offshore, BW LPG, Hafnia, BW Epic Kosan, BW Energy and Cadeler. He is Chairman of the Global Centre for Maritime Decarbonisation, a director of Navigator Holdings and a trustee of the Lloyd's Register Foundation.

Mr Sohmen-Pao was previously Chairman of the Singapore Maritime Foundation and has served as a non-executive director of Hongkong and Shanghai Banking Corporation Ltd, London P&I Club, Esplanade Co Ltd, National Parks Board Singapore, Sport Singapore and the Maritime and Port Authority of Singapore amongst others.

REBEKKA GLASSER HERLOFSEN
Director

Rebekka Glasser Herlofsen has over 25 years of experience from the shipping and finance industries, and has served on the management teams of several leading Norwegian shipping companies.

Ms Herlofsen is a board member of Equinor ASA, Rockwool International A/S, SATS ASA, Klaveness Combination Carriers ASA, Wilh. Wilhelmsen Holding ASA and chairman of the board of the marine insurer Norwegian Hull Club.

Ms Herlofsen is independent from the Company's management, major shareholders and principal business associates.

MAARTEN R. SCHOLTEN
Director

Maarten R. Scholten, Director has over 30 years of extensive legal, financial and operational experience in the upstream oil and gas sector.

Mr Scholten has held senior and executive positions at Schlumberger spanning two decades. During his career at Schlumberger, Mr Scholten was Director of Legal Service; Head of Finance; President, Schlumberger Oilfield Services ECA (Europe, Africa and CIS); and Director, Mergers & Acquisitions/ Business Development.

Mr Scholten is independent from the Company's management, major shareholders and principal business associates.

RENÉ KOFOD-OLSEN
Director

René Kofod-Olsen has experience from almost three decades in the global shipping and energy industries.

Mr Kofod-Olsen was appointed Chief Executive Officer and Board Executive of V.Group in 2020. In 2012, he was appointed Chief Executive Officer of Topaz Energy & Marine, a position he held until the company's successful divestment in 2019. He stepped down after completing the integration process in 2020.

Mr Kofod-Olsen is independent from the Company's management, major shareholders and principal business associates.

CARL K. ARNET
Director

Carl Krogh Arnet has over 40 years of experience in the oil and gas industry.

Mr Arnet is currently the Chief Executive Officer of BW Energy Limited. Prior to this role, he was the Chief Executive Officer of BW Offshore Limited.

Mr Arnet holds a number of other board memberships and chairmanships in non-related companies and is a non-executive director of the Maritime and Port Authority of Singapore.

Management

Senior Management

MARCO BEENEN
CEO

STÅLE ANDREASSEN
CFO

KEI IKEDA
COO

RUNE BJORBEKK
CCO

MAGDA VAKIL
General Counsel

Functional Management

FRITZ EKLØFF
Head of IT & Systems

MIKE MCAREAVEY
Head of Operational Integrity

PIA SCHNITLER
Head of Human Capital

HANS KRISTIAN LANGSRUD
Head of Asset Engineering & Maintenance

MICHAEL SKYUM
Head of Supply Chain

LUCY MCCABE
Head of Corporate Integrity

COMMITTEES

	Gender	Role
Audit Committee		
Rebekka Glasser Herlofsen	F	Chair
René Kofod-Olsen	M	Member
Nomination Committee		
Andreas Sohmen-Pao	M	Chair
Bjarte Bøe	M	Member
Elaine Yew Wen Suen	F	Member
Technical and Commercial Committee		
Carl K. Arnet	M	Chair
Maarten R. Scholten	M	Member
Compensation Committee		
Andreas Sohmen-Pao	M	Chair
Maarten R. Scholten	M	Member

Read more about the committees on the Company's website.

Corporate governance report

BW Offshore Limited is a Bermuda limited liability company listed on Oslo Børs (the 'Oslo Stock Exchange' – part of Euronext). BW Offshore Limited (hereinafter 'BW Offshore' or 'Company') and its activities are primarily governed by the Bermuda Companies Act, its Memorandum of Association and its Bye-laws. Certain aspects of the Company's activities are governed by Norwegian law pursuant to the Listing Agreement between the Oslo Stock Exchange and the Company. In particular, the Norwegian Securities Trading Act and the Norwegian Stock Exchange Regulations will generally apply.

1 IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

The Board of Directors (the 'Board') is of the opinion that the interests of the Company, and its shareholders taken as a whole, are best served by the adoption of business policies and practices which are legal, compliant, ethical and open in relation to all dealings with customers, potential customers and other third parties. These policies are fair and in accordance with best market practice in relationships with employees and are also sensitive to reasonable expectations of public interest.

The Board therefore commits the Company to good corporate governance and seeks to comply with the most current version of the Norwegian Code of Practice for Corporate Governance, dated 14 October 2021 (the 'Code'), prepared by the Norwegian Corporate Governance Board.

The Board provides an overview of the Company's corporate governance practices in the Company's annual report. The review addresses each individual section of the Code and provides an explanation and description of the chosen alternative approach if the Company does not fully comply with the Code.

Deviations to the Code

On 31 December 2021, the Company did not comply with the following recommendations of the Code:

- **Section 3**: Board powers to issue and purchase shares are neither limited to specific purposes nor to a specified period.
- **Section 5:** Bye–laws include a right for the Board to decline to register the transfer of shares.
- **Section 6**: The Chairman of the Board also acts as the Chair of the General Meetings.
- **Section 7**: A member of the Board of Directors is a member of the Nomination Committee and may offer him– or herself for re–election to the Board.
- **Section 8**: The composition of the Board does not meet the recommended gender guidelines of the Code.

2 THE BUSINESS

In accordance with common practice for Bermuda incorporated companies, the Company's objectives as set out in the Company's Memorandum of Association are wider and more extensive than recommended by the Code.

The Board is responsible for and shall take the lead on the Company's strategic planning, and should define clear objectives, strategies and risk profiles for the Company's business activities such that the Company creates value for the shareholders, other stakeholders and society at large in a sustainable manner. The Company's objectives, main strategies and risk profiles are subject to annual review and described in the annual report, and take into consideration financial, social and environmental factors.

BW Offshore has implemented corporate values and ethical guidelines that are described in the

Company's Code of Ethics and Business Conduct (the Code) and internal policies, as well as in the sustainability report, included in the annual report. The Company's expectations of suppliers and third parties are stated in the BW Offshore's Supplier Code of Ethics and Business Conduct (the Supplier Code). Both the Code and the Supplier Code are available on the company website www.bwoffshore.com. Identified risks and opportunities are described in the annual report, and a corporate risk registry is subject to annual review.

3 EQUITY AND DIVIDENDS

Equity and capital structure

On 31 December 2021, the Company's consolidated equity was USD 1 021.4 million, which is equivalent to 33.9 per cent of total assets. The Board continuously evaluates the Company's capital requirements to ensure that the Company's capital structure is at a level which is suitable considering the Company's objectives, strategy and risk profile.

Dividend policy

Pursuant to the Company's Bye-laws, the Board is authorised to declare dividend to the shareholders. The Board has drawn up a clear and predictable dividend policy, which was last revised and approved by the annual general meeting on 18 May 2020:

"BW Offshore has an objective to generate competitive long-term total shareholder returns. This return will be achieved through growth and dividend payments. The Company targets to pay dividends on a quarterly basis. The Board of Directors will target a sustainable dividend level that can grow over time, taking into account the overall cash flow position and future capital requirements. In addition to paying a cash dividend, BW Offshore may also buy back shares as part of its plan to distribute capital to shareholders."

During 2021, the Company paid a total of USD 0.14 per share as cash dividend, split between four payments in February, June, September and December.

Authorisations to issue new shares and share buy-backs

Pursuant to Bermuda law and as is common practice for Bermuda-incorporated companies, the Board has wide powers to issue any authorised unissued shares in the Company on such terms and conditions as it may decide, and may exercise all powers of the Company to purchase the Company's own shares. The powers of the Board to issue and purchase shares are neither limited to specific purposes nor to a specified period as recommended in the Code. On 31 December 2021, the total authorised share capital in the Company was USD 214 million.

Share option programme for key employees

On 8 April 2019, the Group established a long-term share option programme (LTIP) that entitles key personnel to purchase shares in the Company. The programme is discretionary, and participants are invited on an annual basis. Under the programme, holders of vested options are entitled to purchase shares at the market price of the shares at the grant date.

In 2021, a total of 1 849 600 options were awarded under the LTIP, giving the holder the right to acquire one BW Offshore share. The strike price of the options is calculated based on the volume weighted average share price five trading days prior to grant date, plus a premium of 15.76 per cent. A total of 60 BW Offshore employees were invited to participate in the programme. The options have a three-year vesting period, followed by a three-year exercise period. Exercise windows are set by the Company. The options will expire six years after the award date.

In June 2021, the Company transferred shares to certain employees in relation to a long-term bonus plan. CEO Marco Beenen received 3 301 shares, CCO Rune Bjorbekk received 3 279 shares and COO Kei Ikeda received 4 806 shares. The shares will be restricted until June 2022.

Purchase of own shares

There were no transactions related to the Company's own shares in 2021. On 31 December 2021, BW Offshore held a total of 4 141 437 treasury shares or 2.24 per cent of the total number of issued shares.

4 EQUAL TREATMENT OF SHAREHOLDERS

The Company has one class of shares. Each share in the Company carries one vote, and all shares carry equal rights, including the right to participate in general meetings. All shareholders shall be treated on an equal basis, unless there is just cause for treating them differently.

Pre-emption rights to subscribe

Pursuant to Bermuda law and common practice for Bermuda-incorporated companies, the shareholders of the Company do not have pre-emption rights in share issues unless otherwise resolved by the Company. Any decision to issue shares without pre-emption rights for existing shareholders shall be justified. In the event that BW Offshore waives the pre-emption rights of existing shareholders, the Board of Directors will explain the justification in the stock exchange announcement issued in connection with the increase in share capital. There were no share issues in 2021.

Trading in own shares

Any transactions the Company carries out in its own shares shall be carried out either through the Oslo Stock Exchange or with reference to prevailing stock exchange prices if carried out in another way. If there is limited liquidity in the Company's shares, the Company shall consider other ways to ensure equal treatment of all shareholders. See section 3 on page 20 for details about trading in treasury shares during 2021.

5 SHARES AND NEGOTIABILITY

The Company's constituting documents do not impose any restrictions on the ability to own, trade or vote for shares in the Company and the shares in the Company are freely transferable. However, the Bye-laws include a right for the Board to decline to register the transfer of any share, and may direct the Registrar to decline (and the Registrar shall decline if so requested) to register the transfer of any interest in a share held through Euronext VPS, where such transfer would, in the opinion of the Board, likely result in 50 per cent or more of the aggregate issued and outstanding share capital of the Company, or shares of the Company to which are attached 50 per cent or more of the votes attached to all issued and outstanding shares of the Company, being held or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or, alternatively, such shares being effectively connected to a Norwegian business activity, or the Company otherwise being deemed a Controlled Foreign Company as such term is defined pursuant to Norwegian tax legislation. The purpose of this provision is to avoid the Company being deemed a Controlled Foreign Company pursuant to Norwegian tax rules.

6 GENERAL MEETINGS

The annual general meeting normally takes place on or before 31 May each year. The 2021 annual general meeting was held on 14 May. The Board seeks to ensure that as many shareholders as possible can participate in the Company's general meetings and that the general meetings are an effective forum for the views of shareholders and the Board. In order to facilitate this:

- the notice and the supporting documents and information on the resolutions to be considered at the general meeting shall be available on the Company's website no later than 21 calendar days prior to the date of the general meeting.

- the resolutions and supporting documentation, if any, shall be sufficiently detailed, comprehensive and specific to allow shareholders to understand and form a view on matters that are to be considered at the meeting.

- the registration deadline, if any, for shareholders to participate at the general meeting shall be set as closely to the date of the general meeting as practically possible and permissible under the provision in the Bye-laws.

- the shareholders shall have the opportunity to vote separately on each individual matter, including on each individual candidate nominated for election to the Company's Board and committees (if applicable).

Registration is made in writing, per telefax or by e-mail. Shareholders who cannot be present at the general meeting must be given the opportunity to vote by proxy or to participate by using electronic means. The Company shall in this respect:

- provide information on the procedure for attending by proxy;

- nominate a person who will be available to vote on behalf of shareholders as their proxy; and

- prepare a proxy form, which shall, insofar as this is possible, be formulated in such a manner that the shareholder can vote on each item that is to be addressed and vote for each of the candidates that are nominated for election.

Pursuant to common practice for Bermuda-incorporated companies, the Company's Bye-laws states that the general meeting shall be chaired by the chairman of the Board unless otherwise agreed by a majority of those shares represented at the meeting. The Code states that the Board should ensure that the general meeting may elect an independent person to chair the meeting. BW Offshore consequently deviates from the code of practice in this respect since the Chairman of the Board also chairs the general meeting. This is based on tradition and simplifies preparations for the meeting.

The minutes of the annual general meeting are published on the Company's website no later than three business days after the date of the meeting.

7 NOMINATION COMMITTEE

The Nomination Committee is governed by the Company Bye-laws section 37.3.

The Nomination Committee composition is determined by the Company's general meeting from time to time, and the members are appointed by a general meeting resolution, including the chairman of the committee. The general meeting determines the remuneration of the Nomination Committee and stipulates guidelines for the duties of the Nomination Committee. The guidelines are available at the Company's website www.bwoffshore.com, and the Company will provide

NOMINATION COMMITTEE

Name	Role	Considered independent of the main shareholder and management	Served since
Mr Andreas Sohmen-Pao	Chair	No, chairman of the board	2014
Mr Bjarte Bøe	Member	Yes	2014
Ms Elaine Yew Wen Suen	Member	Yes	2014

shareholders with any deadlines for submitting proposals for candidates to the Nomination Committee.

The composition of the Nomination Committee should reflect a broad range of shareholder interests. The majority of the committee shall be independent of the Board and the executive personnel of the Company. No more than one member of the Nomination Committee shall be a member of the Board of Directors. The Nomination Committee shall not include the Company's Chief Executive Officer or any other executive personnel.

The Nomination Committee's primary duty is to propose candidates for election as members of the Board of Directors and to propose the remuneration to be paid to the members of the Board of Directors. The Nomination Committee justifies its recommendations for each candidate separately.

Any member of the Board of Directors who is also a member of the Nomination Committee may offer himself for re-election to the Board of Directors. This deviation from the Code has been implemented to facilitate cooperation between the Nomination Committee and the Board, and continuity in the Board. This will be revised at the AGM in 2022 to achieve compliance with the Code.

8 THE COMPOSITION AND INDEPENDENCE OF THE BOARD

The Board composition is governed by the Company's Bye-laws. The Board may consist of between five to eight directors. The directors are elected for a period of two years unless otherwise determined by the general meeting. Members of the Board may be re-elected. Only a minority of the directors participating in any decision can be domiciled or living in Norway. The same shall be reflected in the composition of the Board. The Board appoints the Chairman amongst the elected Board members.

The composition of the Board ensures that it can act independently of any special interests. A majority of the shareholder-elected members of the Board are independent of the Company's executive personnel and material business connections of the Company. In addition, at least three of the members of the Board are independent of the Company's major shareholder(s). A major shareholder is defined as owning 10 per cent or more of the Company's shares or votes, and independence entails that there are no circumstances or relations that may be expected to be able to influence independent assessments of the person in question.

The Board does not include the Company's chief executive officer or any other executive personnel. The composition of the Board does not meet the recommended gender guidelines of the Code but meets the Company's need for expertise and diversity. A short description of our directors and their respective areas of expertise are presented on the Company's website www.bwoffshore.com.

Members of the Board are welcome to own shares in the Company.

9 THE WORK OF THE BOARD

The Board is ultimately responsible for the management of the Company and for supervising its day-to-day management. The duties and tasks of the Board are detailed in the Company's Bye-laws.

The Board produces an annual plan for its work, with particular emphasis on objectives, strategy and implementation. The Board issues instructions for its own work, as well as for the Company's executive personnel, with particular emphasis on clear internal allocation of responsibilities and duties. The Board carries out an annual evaluation of its performance and expertise.

In case of any material transactions between the Company and a shareholder, a shareholder's parent company, director, officer, or persons closely related to any of these (collectively referred to as 'related parties'), the Company has in place guidelines and procedures as to how the Board and executive personnel of the Company shall handle agreements with related parties, including when the Board should obtain a valuation from an independent third party. Independent valuations shall also be obtained in respect of transactions between companies within the same group where

BOARD OF DIRECTORS

Name	Role	Considered independent of the main shareholder and management	Served since	Term expires	Participation in board mettings in 2020	Shares in BW Offshore (direct/indirect)	Nationality
Mr Andreas Sohmen-Pao	Chair	No	2014	2023	100%	90 245 285	Austrian
Ms Rebekka Glasser Herlofsen	Director	Yes	2020	2022	100%	0	Norwegian
Mr Maarten R. Scholten	Director	Yes	2010	2023	100%	160 761	Dutch
Mr René Kofod-Olsen	Director	Yes	2019	2023	100%	13 183	Danish
Mr Carl K. Arnet	Director	No	2019	2022	100%	1 310 000	Norwegian

any of the companies involved have minority shareholders. For more information regarding related party transactions, see Note 28 of the annual report.

Directors and officers of the Company and other leading personnel shall notify the Board if they directly or indirectly have a significant interest in matters to be considered by the Board of Directors.

In order to conduct its work, the Board annually schedules in advance quarterly meetings of the Board for the following calendar year, although additional meetings may be called by any director of the Company. The Board held an aggregate of six meetings in 2021. The directors normally meet in person, but if allowed by the chairman, directors may participate in any meeting of the Board by means of telephone or video conference. The majority of Board meetings in 2021 were held digitally due to the Covid-19 pandemic and related travel restrictions. Minutes in respect of the meetings of the Board of Directors are maintained by the Company in Bermuda.

The Board shall provide details in the annual report of any Board committees appointed. On 31 December 2021, the Company had the following Board-appointed Committees:

Audit Committee

The Audit Committee acts as an advisory committee to the Board. The Audit Committee is responsible for reviewing the financial statements of the Company and advising the Board as to whether they show a true and fair view and have been prepared in accordance with the law and all regulations and standards applicable to the Company. The Audit Committee also reviews the Company's key areas of exposure to risk and internal control arrangements, as well as an annual supervisory plan for internal audit work. The Audit Committee follows up on internal controls in connection with quarterly reviews of the Group's financial reporting. At least once a year, the Board and the Audit Committee review the Company's internal control procedures relating to its financial reporting process. On 31 December 2021, the Audit Committee consisted of Rebekka Glasser Herlofsen (Chair) and René Kofod-Olsen, both of whom are independent members of the Board.

Technical and Commercial Committee

The Technical and Commercial Committee acts as a preparatory and advisory committee to the Board in respect of the management of the Company's business. Matters reviewed by the Committee, and reported to the Board, include commercial and technical matters relating to the Company's operations, and marketing and tender activities of the Company. At least once a year, the Technical and Commercial committee will also review the systems utilised by the Company for identifying areas of material business risk, for measuring their possible impact on the Group and the procedures in place to mitigate the impact of such risks. On 31 December 2021, the Technical and Commercial Committee consisted of Carl K. Arnet (Chair) and Maarten R. Scholten, both of whom were also members of the Board.

Compensation Committee

The Compensation Committee acts as a preparatory and advisory committee for the Board in order to ensure thorough and independent preparation of matters relating to compensation to the executive personnel. On 31 December 2021, the Compensation Committee consisted of Andreas Sohmen-Pao (Chair) and Maarten R. Scholten, both of whom were also members of the Board.

The Terms of Reference for the Audit Committee and the Guidelines for the Nomination Committee and the Technical and Commercial Committee are available on www.bwoffshore.com.

10 RISK MANAGEMENT AND INTERNAL CONTROL

The Board ensures that the Company has sound internal control procedures and systems to manage its exposure to risks related to the conduct of the Company's business, to support the quality of its financial reporting and to ensure compliance with laws and regulations. Such procedures and systems contribute to securing shareholders' investment and the Company's assets.

Management and internal control are based on Company-wide policies and internal guidelines in areas such as Finance and Accounting, HSE, Project Management, Operation, Technical and Business Development, in addition to implementation and follow-up of a risk assessment process. The management system is central to BW Offshore's internal control and ensures that the Company's purpose, policies, goals and procedures are known and adhered to.

The Board annually reviews the Company's most important areas of exposure to risk and its internal control arrangements and an annual supervisory plan for internal audit work is approved by the CEO, based on HSSEQ recommendations and risk assessments carried out.

The internal auditor position is independent from the line management and reports directly to the CEO. In addition to its own controlling bodies and external audit, BW Offshore is subject to external supervision by DNV for classification in accordance with relevant ISO standards.

The Board's Audit Committee follows up internal control in connection with quarterly reviews of the Group's financial reporting in addition to two meetings in which internal control issues are addressed specifically. The Chief Financial Officer, the Company's other relevant senior staff and representatives of the external auditor, attend the meetings of the Audit Committee.

The systems for risk management and internal control also encompass the Company's guidelines regarding how the Company integrates considerations related to stakeholders into its creation of value. Please see the separate sustainability report included in the annual report for further information.

BW Offshore has established a Code of Conduct for the Company and its employees, providing guidance on how they can communicate with the Board to report matters relating to illegal or unethical conduct by the Company.

11 REMUNERATION OF THE BOARD OF DIRECTORS

The general meeting decides the remuneration of the Board based on a proposal from the Nomination Committee. The remuneration of the Board and its individual directors shall reflect the Board's responsibility, competence, use of resources and the complexity of the business activities. The remuneration of the directors shall not be linked to the Company's performance and the directors do not receive profit-related remuneration or share options or retirement benefits from the Company. Any remuneration in addition to normal fees to the directors is specifically stated in the annual report. Detailed information of Board remuneration can be found in Note 9 of the consolidated financial statements.

Directors or companies related to BW Offshore, shall not normally undertake special tasks for the Company in addition to the directorship. However, if they do so, the entire Board shall be informed, and the fee, if any, shall be approved by the Board.

12 SALARY AND OTHER REMUNERATION OF THE EXECUTIVE PERSONNEL

Salary and other remuneration of the executive personnel is reviewed annually by the Compensation Committee, which generally considers the executive personnel's performance and also gathers information from comparable companies before making its recommendation to the Board for approval. Such recommendation shall contribute to execution of strategy, long-term value creation and financial viability and ensure convergence of the interests of the executive personnel and the shareholders. The Guidelines on Executive Remuneration is available on the Company's website, www.bwoffshore.com.

Any performance-related remuneration to executive personnel is subject to an absolute limit. The limit is approved by the Board of Directors based on a recommendation from the Remuneration Committee which is available on the website. The maximum potential pay-out of the Variable Compensation Scheme for the Executive Management Team is set at six months' salary.

Any share option programme in the Company available to the employees of the Company, and subsidiaries, requires the approval of the Board.

Detailed information of remuneration, loans, shareholding of the management and any share option programmes can be found in Note 9 of the consolidated financial statements.

13 INFORMATION AND COMMUNICATIONS

BW Offshore is committed to provide information in a manner that contributes to establishing and maintaining confidence with important interest groups and stakeholders. The information is based upon transparency, openness and equal treatment of all shareholders. A pre-condition for the share value to reflect the underlying values in the Company is that all relevant information is disclosed to the market. Based on this, BW Offshore will endeavour to keep the shareholders informed about profit developments, prospects and other relevant factors for their analysis of the Company's position and value. It is emphasised that the information is uniform and simultaneous.

Please see the Investor Relations Policy available on www.bwoffshore.com.

14 TAKEOVERS

In the event of a takeover process, the Board shall ensure that the Company's shareholders are treated equally and that BW Offshore's activities are not unnecessarily interrupted. The Board shall also ensure that the shareholders have sufficient information and time to assess the offer. In the event of a takeover process, the Board shall abide by the principles of the Code, and also ensure that the following take place:

- the Board shall ensure that the offer is made to all shareholders, and on the same terms;
- the Board shall not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the Company;
- the Board shall strive to be completely open about the takeover situation;
- the Board shall not institute measures which have the intention of protecting the personal interests of its members at the expense of the interests of the shareholders; and
- the Board must be aware of the particular duty the Board carries for ensuring that the values and interests of the shareholders are safeguarded.

The Board shall not attempt to prevent or impede the takeover bid unless this has been decided by the shareholders in the general meeting in accordance with applicable laws. The main underlying principles shall be that the Company's shares shall be kept freely transferable and that the Company shall not establish any mechanisms which can prevent or deter takeover offers unless this has been decided by the shareholders in the general meeting in accordance with applicable law.

If an offer is made for the Company's shares, the Board shall issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer. If the Board finds itself unable to give a recommendation to the shareholders on whether or not to accept the offer, it should explain the reasons for this. The Board's statement on a bid shall make it clear whether the views expressed are unanimous, and if this is not the case, it shall explain the reasons why specific members of the Board have excluded themselves from the statement. The Board shall consider whether to obtain a valuation from an independent expert. If any member of the Board, or close associates of such member, or anyone who has recently held a position but has ceased to hold such a position as a member of the Board, is either the bidder or has a particular personal interest in the bid, the Board shall obtain an independent valuation. This shall also apply if the bidder is a major shareholder (as defined in section 8 on page 22). Any such valuation should either be enclosed with the Board's statement or reproduced or referred to in the statement.

15 AUDITOR

The auditor is appointed by the general meeting and is independent of the business of the Company. The auditor shall annually confirm its independence in writing to the Audit Committee. On 31 December 2021, the external auditor of the Company is KPMG AS.

The auditor holds office for the term resolved by the general meeting or until a successor is appointed and is responsible for the audit of the consolidated financial statements of the Company. The Board of Directors shall ensure that the auditor annually presents an audit plan to the Audit Committee and/or the Board.

The Audit Committee shall invite the auditor to participate in the Audit Committee's review and discussion of the annual accounts and quarterly interim accounts. In these meetings, the Audit Committee is informed of the annual and quarterly accounts and issues of special interest to the auditor. Further, the auditor shall participate in meeting(s) of the Board that deal with the annual accounts. At these meetings the auditor should review any material changes in the Company's accounting principles, comment on any material estimated accounting figures and report all material matters on which there has been disagreement between the auditor and the management of the Company and/or the Audit Committee.

At least once a year, the Audit Committee reviews the Company's internal control procedures with the auditor, including weaknesses identified by the auditor and proposals for improvement.

The Board has established guidelines specifying the right of the Company's executive management to use the auditor for purposes other than auditing.

The auditor's remuneration is approved by the shareholders at the general meeting or in such manner as the general meeting may determine. For more information about remuneration of the auditor, see Note 9 in the consolidated financial statements.

Shareholder information

It is in the interest of BW Offshore, as a public listed company, to effectively communicate with the financial community and other stakeholders in order to provide consistent and transparent information to ensure fair treatment of all stakeholders. The integrity of the capital markets is based on full and fair disclosure of information.

BW Offshore will maintain a reliable and open relationship with investors, and the Company's objective is to provide a higher return than alternative investments with a comparable risk profile. Return is measured on a total shareholder return basis, including both share price performance and dividend payments. Based on these value parameters, the BW Offshore share shall be an attractive investment opportunity.

All shareholders in BW Offshore have equal rights and the Company treats all shareholders equally. The Company has one share class and each share carries one vote at the Company's general meetings. BW Offshore is a Bermuda limited liability company listed on the Oslo Stock Exchange. The Company is therefore obliged to comply with the Bermuda Companies Act, its Memorandum of Association and its Bye-laws, as well as the disclosure requirements of the Oslo Stock Exchange. Certain aspects of the Company's activities are governed by Norwegian law pursuant to the Listing Agreement between the Oslo Stock Exchange and the Company. In particular, the Norwegian Securities Trading Act and the Norwegian Stock Exchange Regulations will generally apply.

BW Offshore is committed to providing timely, orderly, consistent and credible information. Information and communication are regulated by the Company's media policy and investor relation policy, and cover disclosures to the investment community, the press, industry consultants and other audiences. All investors have equal access to material information, and all information provided externally by the Company shall be consistent with disclosures to the investment community.

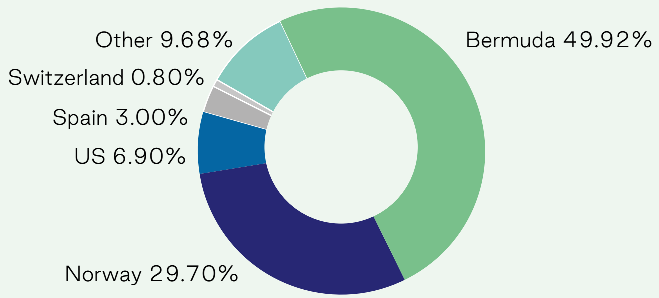
During a period of two weeks before the planned release of an interim financial report, BW Offshore will not comment on matters related to the Company's financial performance or expectations, save for ordinary communication with analysts and investors on general aspects of the business.

BW Offshore maintains a list of primary insiders in the Company, and will also maintain internal lists for insiders in cases sensitive to the stock prices.

The investor relations activities aims to ensure that:

- The information it provides to the financial markets gives market players the best possible basis for establishing a precise picture of the Company's financial condition and factors which might affect its future value creation.
- The market price of BW Offshore's shares reflects the fair value of the Company.
- BW Offshore's shares remain as liquid as possible, with lowest possible volatility.
- BW Offshore maintains access to capital markets on the most favourable possible terms.
- BW Offshore's Board of Directors and executive management are adequately informed about developments in financial markets and about stakeholder views on the Company's position and development.

GEOGRAPHICAL DISTRIBUTION OF SHAREHOLDERS



20 LARGEST SHAREHOLDERS

	Name	No of shares	Holding %
1	BW Group Limited	90 245 285	49.92%
2	Cobas Asset Management SGIIC S.A.	6 737 659	3.73%
3	First Fondene	5 053 174	2.79%
4	Arctic Fund Management	4 727 785	2.61%
5	Dimensional Fund Advisors	4 459 950	2.47%
6	Vanguard	3 377 969	1.87%
7	DNB Funds	3 318 119	1.84%
8	Salt Value AS	2 907 887	1.61%
9	Pareto Funds	2 689 000	1.49%
10	Carl K. Arnet	1 310 000	0.74%
11	Fidelity International (FIL)	1 287 598	0.71%
12	BlackRock	1 018 665	0.56%
13	Nordnet Livsforsikring AS	988 093	0.55%
14	KLP Kapitalforvaltning AS	959 641	0.53%
15	Holmen Fondsforvaltning AS	820 000	0.45%
16	NHO - Næringslivets Hovedorganisasjon	806 146	0.45%
17	Fondsfinans Kapitalforvaltning	789 881	0.44%
18	AS Clipper	736 525	0.41%
19	Kyrre Dyregrov	701 500	0.39%
20	Harald Espedal	692 354	0.38%

BW Offshore has issued a total of 184 956 320 shares of which 4 141 437 were held as treasury shares as of 31 December 2021. The year end total number of outstanding shares stood at 180 814 883.

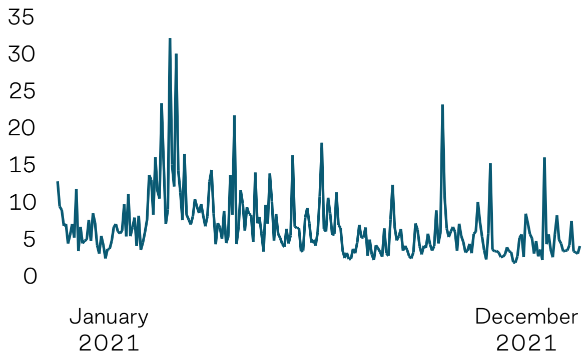
Source: Monitor by Modular Finance. Compiled and processed data from various sources, including VPS, Morningstar, Norwegian Financial Supervisory Authority (Finanstilsynet), Millistream. The verification date may vary for certain shareholders.

SHARE PRICE

NOK

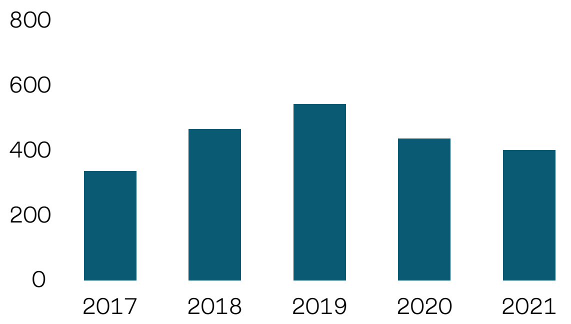
VOLUME

Million



EBITDA[1]

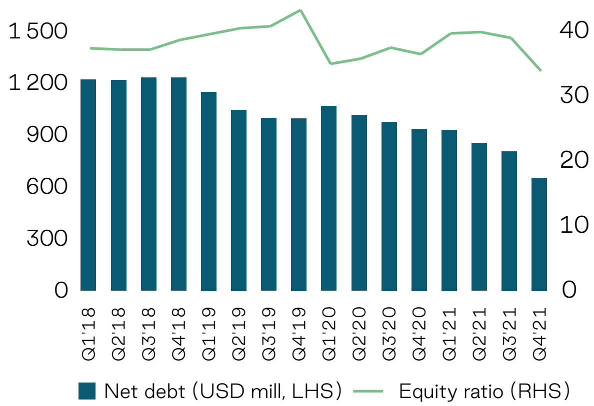
USD Million

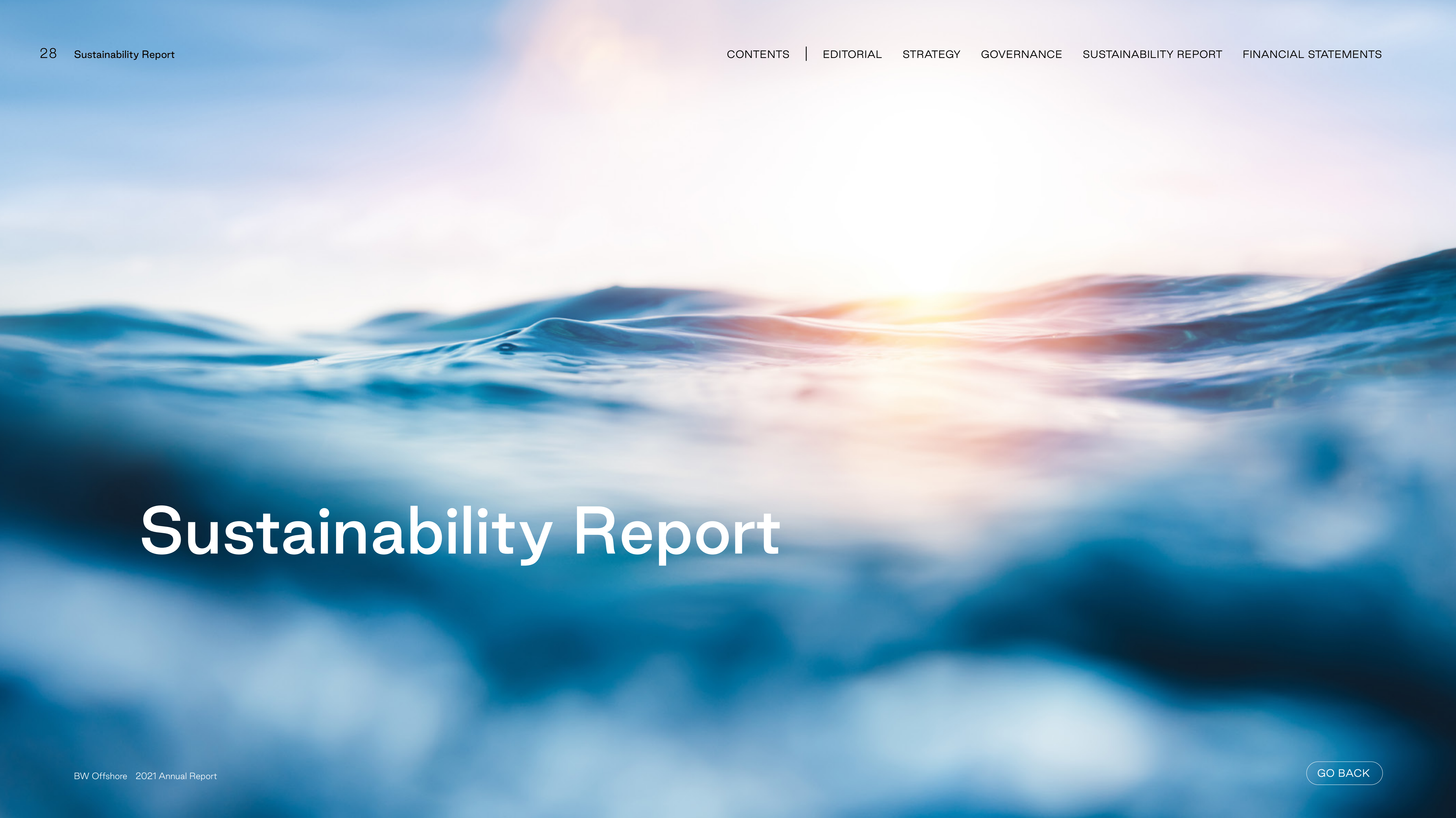


[1] Adjusted for discontinued operation.

NET DEBT & EQUITY RATIO

USD Million %





Sustainability Report

We LEAD with Integrity

BW Offshore's values are summarised in 'We LEAD with Integrity'. These values reflect who the Company is and how it conducts its business.

BW Offshore is committed to delivering sustainable operations and long-term value creation for its stakeholders – not because this is expected by society, but because it is the right thing to do.

The Company's values have evolved from 'I LEAD' to 'We LEAD with Integrity', emphasising that team collaboration is the key to making a positive contribution to stakeholders and to society at large. BW Offshore has defined a set of sustainability goals to measure its performance, related to environmental, social and governance (ESG) factors.

There is a strong focus on developing a culture where everyone is encouraged to treat failure as an opportunity to learn and improve, to take accountability, and to be part of solutions that keep advancing the future of energy.

DEFINING FACTORS FOR LONG-TERM VALUE CREATION

BW Offshore is part of a value chain that provides a safe and affordable supply of energy – an important factor for economic growth in both developed and developing economies. The Company has an established framework for risk management, ensuring safe and effective operations by adhering to a Zero Harm policy and by minimising environmental impact and unnecessary use of resources. As a responsible and inclusive employer, BW Offshore makes a positive contribution to local job creation and development.

Risks and opportunities related to these factors are described throughout this report, and evaluated from a safety, operational, regulatory, reputational and market perspective. BW Offshore has an established, holistic approach to health, safety, security, environment and quality (HSSEQ) across all its operations. The Company demonstrates due respect for the individual, through human rights and employment practices.

We LEAD – with Integrity

LEVERAGING THE TEAM
We trust each other and recognise that we are stronger as a team. We commend contributions and make each other better, embracing diversity and collective competencies to achieve the best result.

EXCELLENCE
We strive to do everything to the best of our abilities, and we always seek to improve. We see sharing of failure as a sign of strength and an opportunity to learn.

ACCOUNTABILITY
Each of us care about what we do and the people we work with. We take ownership to understand and ensure positive outcomes for all our stakeholders.

DEVELOPMENT
We are open and actively seek opportunities to learn, inspiring individual growth and enabling progress. We continuously seek feedback from others to develop and improve.

WITH INTEGRITY
Integrity is the definition of who we are and what we do. It is the sum of our values. We are committed to speaking up and making the right decisions to resolve any dilemma we face.

BW Offshore's commitment to ESG

BW Offshore is committed to efficient, reliable and compliant operations, with zero harm to people, the environment and the communities in which it operates. The Company applies best-in-class as the benchmark for monitoring, assurance and improvement of its operational performance and compliance.

Guided by its purpose and values, BW Offshore aims to achieve sustainable development by striking a fair balance between financial results, value creation, sustainability and corporate responsibility.

1 SAFE AND SECURE OPERATIONS (ZERO HARM)

Ensuring the safety and wellbeing of its employees is BW Offshore's greatest responsibility and is reflected in its zero-harm principle. Therefore, all business processes seek to leverage optimal human performance through a strong culture of care.

2 ENVIRONMENTALLY CONSCIOUS OPERATIONS

BW Offshore is committed to contributing to a sustainable environment. Risk management is used to identify, assess and eliminate – and where this is not possible, mitigate – all actual or potential environmental impacts arising from the Company's operations.

3 BEING A NON-DISCRIMINATING AND FAIR EMPLOYER

BW Offshore focuses on its employees and organisation, and on the opportunities it can provide for the wider community. The Company is deeply aware of the importance of its people and their contribution to meeting business objectives.

4 A STRONG GOVERNANCE FRAMEWORK

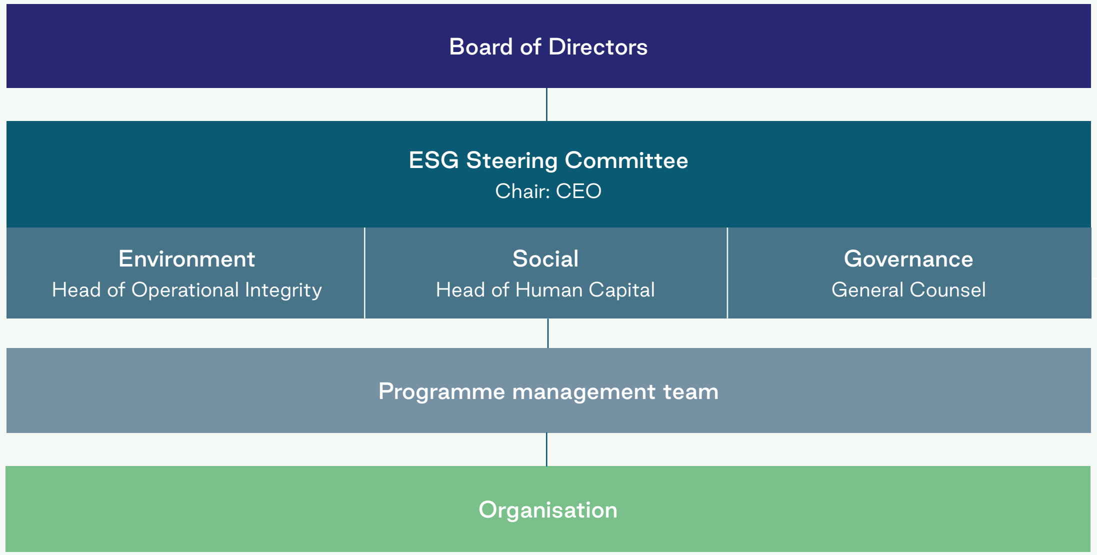
BW Offshore stands for consistent adherence to all applicable laws, rules and regulations in every country in which it operates. It is committed to conducting business in a fair, ethical and transparent manner by adhering to the principles and guidelines stated in the Code of Ethics and Business Conduct. The Company strives to be a good corporate citizen, and to uphold the highest ethical and responsibility standards.

ESG COMMITTEE

To improve the way the Company approaches, records and improves its performance related to corporate sustainability goals, an internal ESG Steering Committee was established in 2020. It is chaired by the CEO and reports directly to the Board of Directors. The committee's mandate is to ensure that sustainability and the relevant environmental, social and governance-related risks and opportunities are recognised throughout the organisation, and are integrated in the Company's risk management and long-term strategy for value creation. The committee has quarterly meetings to review progress on the sustainability goals and specific objectives set for 2021.

BW Offshore's sustainability reporting is reviewed by Senior Management and approved by the Board of Directors annually. The Company incorporates information about its corporate responsibilities in its annual report – reflecting its commitment to integrate corporate responsibility in all processes and daily operations.

ESG COMMITTEE STRUCTURE



STAKEHOLDER ENGAGEMENT TO IDENTIFY MATERIAL TOPICS

BW Offshore continually engages with stakeholders such as customers, partners, regulators, suppliers, contractors, investors and lenders, as well as with internal stakeholders such as employees and contracted staff. This helps the Company identify the areas where it can make the greatest environmental, social and economic impact.

The Company strives for two-way communication with both external and internal stakeholders in day-to-day activities. On a corporate level, it regularly engages with lenders, investors and regulators, and takes part in quarterly meetings with the investor market. The Company also engages with suppliers, clients and partners on a day-to-day basis, and regular communication is embedded into the organisation's workflow.

Internally, the Company holds quarterly global town halls for all employees and contract staff. It performs employee surveys on a regular basis, and actively follows up on feedback to ensure meaningful engagement with the workforce.

In 2020, a materiality analysis was conducted. This was based on feedback from external stakeholders, responding to questions on topics inspired by Global Reporting Initiative (GRI) standards. Internal stakeholders were also included: employee feedback was provided through a global culture assessment survey conducted by a third party in 2019.

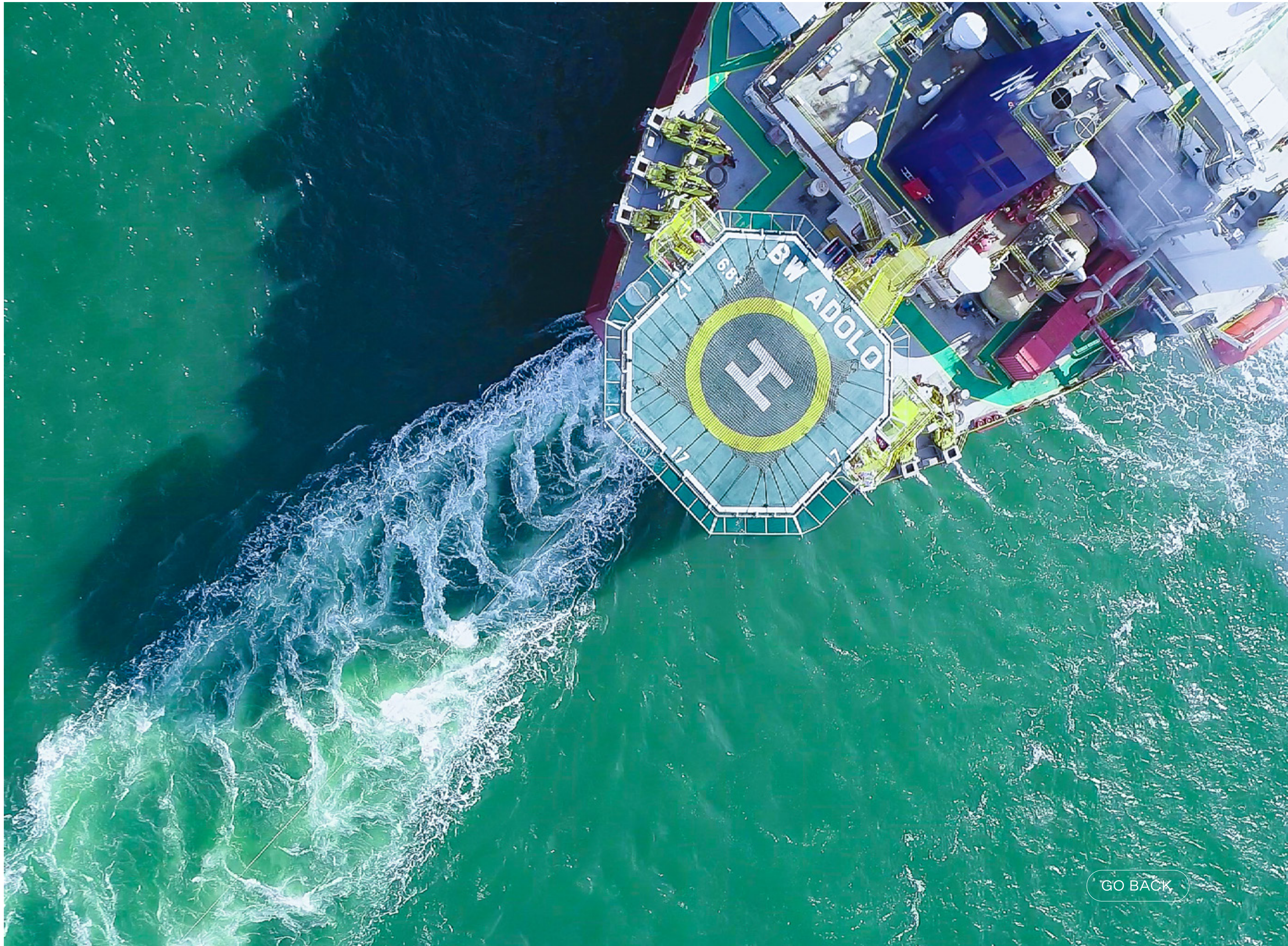
Based on the materiality analysis, BW Offshore defined the following as the most important factors for long-term value creation:

- Safe and secure operations
- Environmentally conscious operations
- A strong governance framework
- Being a non-discriminating and fair employer

These factors are aligned with the Sustainability Accounting Standards Board (SASB) Materiality Map®.

The key factors also tie in with relevant industry–specific external independent materiality frameworks. They align with the Company's commitment to operational integrity and safety, and its Zero Harm objective for personnel and the environment at large — as encapsulated in the 'We LEAD with Integrity' values that guide and motivate leadership at all levels. These factors are also reflected in the Company's support for the United Nations Sustainable Development Goals (SDGs).

BW Offshore operates in a highly regulated industry, where there is a growing body of applicable environmental law and increased public interest in sustainability. The Company has developed corporate ESG goals that tie in with these overarching topics, and which align with the targets of the SDGs.



BW OFFSHORE CORPORATE ESG GOALS

	Apply Company resources and capabilities to develop renewable energy production solutions	Economically minimise Greenhouse Gas (GHG) emissions from offshore operations	Eliminate single-use plastics within company operations	Eliminate the use of harmful CFCs and HCFCs wherever practicable	Maximise recruitment and long-term development of local talents in areas of operation	Recognise diversity and ensure equal opportunities, including fair employment conditions	Eliminate any unethical and non-compliant business practices in the organisation
2021 Objectives	Develop new business renewable energy production.	Minimising GHG emissions from offshore assets to align with global efforts to combat climate change and its impacts. Ensuring that the GHG emissions sources of the asset design are reduced to 'as low as reasonably practicable' through Best Available Techniques (BAT) engineering assessment in the project phase of an asset development. Improving the energy efficiency and harnessing waste energy streams of asset design and operations contributes to affordable and clean energy by maximising the economic recovery of natural resources. In the project phase, optimal energy efficient plant design and best available technologies shall be demonstrated through engineering studies. In the operations phase, asset operational reliability, power management and waste energy streams shall be monitored and managed according to Best Environmental Practices (BEP).	Engaging with suppliers to influence their packaging selection. Implement alternative technical solutions to eliminate the need for plastic use, such as replacing bottled water with alternative drinking water supplies.	Maximising operational efficiency of power and combustion equipment and the reliability of the process plant to minimise combustion emissions, flaring and direct emissions during operations.	Develop targeted recruitment and development programmes in all locations where the Company operates. Assign experienced assessors and mentors to support individual development for local talent.	Continue implementation of, and securing of a Living Wage standard for all employees and subcontractors. Further strengthen diversity within the Company. Define targeted actions to recognise and promote diversity and inclusion across the organisation. Involve and engage employees via the internal Diversity and Inclusion Committee.	Ensure zero tolerance for corruption throughout the organisation, via implementation of anti-bribery compliance programme measures.
2021 Performance	Successful creation of offshore floating wind specialist BW Ideol and subsequent listing of the company on Euronext Growth Oslo. Partnering with Invenergy to submit bid to develop up to 5.4 gigawatts of offshore wind in the ScotWind tender. Partnering with BW Ideol to develop Power to Plant solution.	Designing the Barossa FPSO to have minimum impact on environment. Established five-year plans for the legacy FPSOs to enhance maintenance, targeting reduction of fugitive emissions sources, fluorinated gas leaks and optimising combustion emission sources as far as practicable. Monitoring of FPSO fuel consumption. Joined the Carbon Disclosure Project (CDP) with a first submission of the climate change questionnaire for access by the CDP investor signatories.	Commitment statement included in Packing and Preservation Requirements for Suppliers used for applicable vendors tendering for the Barossa project. Two operating assets have eliminated single-use plastic bottled water onboard. This equates to the elimination of 140 000 waste plastic bottles annually. Introduced fleet-wide enhanced plastic waste monitoring systems to identify further sources of single-use plastics that may be eliminated.	Barossa FPSO designed with freon systems that are CFC- and HCFC-free. Implemented system for monitoring and reporting usage of freon gases on the legacy fleet. Replaced HVAC charging gas on BW Catcher with a product that has a reduced global warming potential.	The process of establishing new development programmes has been affected by the Covid-19 pandemic, and travel restrictions imposed throughout the world have affected assessors' and mentors' abilities to travel to local offices to support individual development. Digital support has been provided to follow up remotely. Despite the Covid-19 pandemic, the Company was able to facilitate its Global Summer Internship Programme in several locations, and plans to expand this to additional locations and functions. Revised recruitment procedure to include priority of local candidates for all offshore positions. Plans in progress for targeted assets to secure increased percentage of employees with local nationality. Plan established for Barossa recruitment, with goal of 100 per cent of the offshore personnel to be Australian residents.	All employees have been included in the Living Wage standard. Increased focus on Diversity, Equality and Inclusion (DE&I) through strengthening the definition and commitment by establishing a DE&I policy statement and including DE&I requirements in the recruitment procedure. Company-wide DE&I survey conducted. Wellbeing committee established, mental health awareness campaigns conducted.	Developed the Code of Ethics and Business Conduct refresher programme to update employees on key developments of the Company's compliance programme and continued strengthening of awareness campaigns. Increased accessibility to the online Compliance Platform for all offshore employees, enabling online compliance reporting such as conflict of interest declaration, gifts, hospitality, donations and sponsorships. Benchmarking exercise against Ethisphere 'World's Most Ethical Companies' honourees list criteria. Developed audit protocol on ethical employment practices.
2022 Objectives	Continue to support BW Ideol's commercialisation of its unique floating offshore wind technology within the growing offshore wind energy market as a leading shareholder, and through strategic technology partnerships and joint development agreements.	Continue to improve transparency related to the corporate climate action measures and disclosure mechanisms through the Carbon Disclosure Project. Perform a gap analysis of the corporate climate action strategy against the Task Force on Climate-related Financial Disclosures. Execute five-year maintenance plan to manage, and where feasible, minimise emissions from fleet operations. Establish monthly operational emissions thresholds for all operating assets and introduce procedures to identify causes and mitigating actions should thresholds be exceeded.	Ensure all Barossa project sites are free of single-use plastic bottled water in favour of re-usable drinking canisters and water dispensers. Perform a detailed plastic wastes audit onboard a selected unit which will include crew training by a specialist environmental organisation. The purpose of the plastics waste audit is to independently verify the quantity of plastic waste generated onboard the unit, identify opportunities for the future reduction or elimination of plastic waste, enhance crew education and engagement on plastic waste reduction.	Enhance routine maintenance on freon gas systems to minimise leaks and reduce freon gas consumption amongst legacy assets. Engage with freon gas suppliers to determine if environmentally friendlier alternatives are available for all FPSOs. Phase out the use of controlled ozone depleting substances in line with international norms and timelines.	Finalise and implement specific asset plans to secure increased percentage of employees with local nationality for targeted assets. Expand the Graduate Programme to additional locations and functions.	Conduct a new Culture Assessment. Continue implementation of a Living Wage standard for all subcontractors. As a part of the Code of Ethics and Business Conduct refresher programme, a Diversity and Inclusion awareness module will be launched. Monitor implementation of Diversity and Inclusion in the recruitment processes.	Increased KPI reporting to enable improved tracking of the Compliance Programme effectiveness. Roll out Code of Ethics and Business Conduct refresher programme for all employees.
Related UN Goal	7 AFFORDABLE AND CLEAN ENERGY	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	8 DECENT WORK AND ECONOMIC GROWTH	10 REDUCED INEQUALITIES	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Objective 1

Safe and secure operations (Zero Harm)

RISKS AND IMPACTS

Operating in a high-risk industry, BW Offshore is focused on identifying and mitigating risks that may impact its people, the environment or the communities where the Company operates. As the Company operates large offshore floating process facilities, often in remote areas far from shore, identifying risks becomes critical to ensure safe and secure operations.

Hazardous incidents occurring onboard an FPSO have the potential to escalate quickly, owing to the structure of the units and storage facilities onboard. The worst-case scenario involves fatalities or severe injuries, followed in severity by the spillage of hydrocarbons into the environment, damage to the units and irreparable damage to reputation across the full spectrum of stakeholders.

An overall understanding and management of risk exposure is important in ensuring BW Offshore's objectives are achieved. Different levels of risk assessment are used throughout the organisation, depending on the type of activity undertaken – such as during tender and project phases in operational and corporate offices, in yards and onboard offshore units during operation.

BW Offshore performs regular reviews of significant risks to the business and evaluates internal control measures to adequately mitigate these risks. Risk management is used as a tool to assess and enhance the Company's internal control systems and to effectively identify, assess and manage risk.

MANAGEMENT FRAMEWORK

Operational integrity

The Operational Integrity (OI) function defines the Company's health, safety, security, environmental and quality (HSSEQ), and asset integrity performance requirements and targets. It also provides an assurance framework to demonstrate OI performance throughout an asset life cycle, from design and construction to installation, operations and decommissioning.

BW Offshore's Operational Integrity (OI) function has established processes and tools to demonstrate operational performance and compliance in a transparent manner. The process is based on BW Offshore's operational objectives and how the OI function supports the organisation in meeting these targets through a continuous improvement cycle.

The Company maintains an effective Management System that enables BW Offshore to meet and exceed mandatory requirements, as well as those the Company has chosen to apply as best practice. Legal requirements for health, safety, security and environment exist in many of the jurisdictions in which BW Offshore operates, and a register of applicable legislation is maintained by the OI function.

However, the predominant reason for the BW Offshore Management System is to manage the risk to BW Offshore's people and assets. The Management System applies to all employees, contractors and visitors working at locations controlled by BW Offshore. It is available via the Company's intranet page, and adequate awareness of the proper use of the Management System and its processes is maintained through e-learning courses.

The BW Offshore Management System is consistent with industry best practices (the Energy Institute Process Safety Management framework), and is certified to several international standards, such as:

- The International Safety Management (ISM) Code for safe operation of ships and pollution prevention.
- ISO 9001 for quality management.
- ISO 14001 environmental management.
- ISO 45001 occupational health and safety management.

All BW Offshore's FPSO assets are certified in accordance with the requirements of the International Ship and Port Facility Security (ISPS) Code. The security policy of the Company is to prevent unauthorised access and the introduction of weapons and other dangerous devices or substances. This is in keeping with the Company's commitments to ensuring zero harm to personnel and preventing damage to assets.

The Operational Integrity framework is based on three core elements:

PEOPLE
Strong competence and behaviour delivering operational excellence.

PROCESS
Robust and transparent policies, standards and procedures that set clear expectations and accountabilities.

ASSET
Asset integrity maintained to deliver safe, efficient and reliable operations.

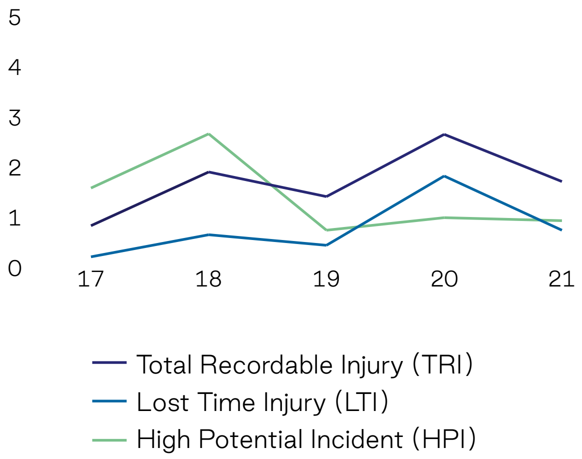
This framework is defined within the BW Offshore Management System, to which all workers have access. It enables feedback to be logged at any time for review and action by the document owner. Documents are subjected to a formal stakeholder review and approval process in the workflow – a process that is mandatory for all published documents. A management review (as per ISO 9001) is conducted annually to assess the effectiveness of the Management System.

PERFORMANCE
BW Offshore monitors key indicators of process safety, occupational safety, environmental performance and asset integrity. This allows the Company to identify potential performance issues, so that it can take proactive steps towards incident prevention and operational improvement.

The Company follows the International Association of Oil and Gas Producers (IOGP) guidelines for incident reporting, allowing for benchmarking against the wider industry. Contractors working at BW Offshore sites operate under the Company's control of work processes, and BW Offshore maintains oversight to manage risks. Improvements are made to the Management System as a result of identified hazards, incident investigation findings, the annual management review and worker input captured in the Management System publishing function.

BW Offshore registered four Lost Time Injury (LTI) incidents in 2021 (compared with nine in 2020). The LTI ratio (number of LTIs/million man-hours) was 0.78 in 2021 (1.86 in 2020). The High Potential Incident (HPI) ratio was 0.97 in 2021 (1.03 in 2020).

BW Offshore HSE statistics
Per million hours



In January 2021, an incident onboard FPSO Espoir Ivoirien led to a leakage of hydrocarbons into a tank where tank inspection work was being performed, resulting in two fatalities. As a result, the Company has adjusted the operating model for the relevant FPSOs and will strive not to conduct such tank inspections while a unit is producing hydrocarbons, to the extent possible. The priority of Zero Harm overrides any financial impact this may have for the Company.

Initiatives, programmes and policies

Learning from failure – Project Evolve

Following the fatal accident on the FPSO Espoir Ivoirien, BW Offshore conducted a comprehensive review of underlying or systemic issues that may have contributed to this incident. The review also included an assessment of other previous major incidents, including the Cidade de São Mateus accident in 2015. This led to the creation of Project Evolve, which aims to address the necessary changes to prevent future accidents and major incidents. Project Evolve represents a long-term commitment, driven by the Company's Senior Management, to ensure safe and secure operations.

At the heart of Project Evolve is workforce involvement. For the project to be successful in delivering meaningful and sustainable improvements, it is imperative that specific actions are embraced at all levels of the organisation. To help achieve the necessary level of workforce involvement, the following approach is being taken:

1. **Leadership engagement**: Engage with leadership to ensure the reasons for improvement are well understood and fully supported.
2. **Define the problem areas**: Define the problems that contribute most towards major incidents within BW Offshore, based upon assessment and feedback from the workforce.
3. **Planning for improvement:** Define and plan improvement options that will effectively address the problems in a suitable manner.
4. **Develop improvements**: As defined by Step 3.
5. **Test improvements**: Representation from the workforce will check that the improvements resonate and will work.
6. **Implement improvements**: Representation from the workforce will communicate the improvements to the organisation in their terms. Following this, traditional roll out can occur.
7. **Check effectiveness**: Following implementation, the effectiveness of each improvement is checked, and then the cycle repeated to make further improvements as necessary.

As part of step two of Project Evolve, approximately 30 per cent of the BW Offshore workforce participated in structured feedback sessions. These were planned as small peer group sessions to ensure comprehensive and genuine feedback on the problems and their potential solutions.

This provides a solid basis for steps three to seven, so that the continuous improvement process adopted by Project Evolve can reduce the risks associated with major accidents and significant incidents to as low a level as reasonably practicable.

Emergency preparedness

BW Offshore's commitment to emergency preparation and response is captured in the Company's Operational Integrity standards. These standards define requirements for emergency response, emergency support and crisis management for operational assets, project worksites, permanent office locations and the corporate organisation. Each offshore asset has a specific Emergency Response Plan covering the major accident hazards present onboard.

Emergency Response and Crisis Management Plans are aligned with industry recognised Incident Management System (IMS) principles, including the incident planning cycle and risk-based prioritisation concepts.

Regular training in the form of emergency exercises and drills is conducted to ensure personnel maintain a high level of readiness, and to test aspects of each asset's Emergency Response Plan. The lessons learned are shared onboard during post-drill debriefs and with onshore teams. Drill reports are sent to OI management for review and analysis.

Cyber security

The risks related to cyber security are complex, and change rapidly as technology develops. There is an increased need to transmit operational data from every unit's Operational Technology (OT) environment to the Information Technology (IT) environment, and to onshore teams. This results in a wider cyber-attack surface.

BW Offshore strives to maintain safe operation through the deployment of a continuous threat detections system and a sophisticated safe remote access application, along with essential collaborations between OT and IT that range from training to incident response.

Technology barriers and mitigations are not the only solutions: training of employees is paramount to avoid hacks and data breaches. The Company has established a Cyber Security Portal with training and information, and has initiated a phishing awareness campaign for all users in 2021.

Culture programme

To ensure safe and secure operations, people in the organisation are key. The Company fosters a strong culture through its corporate values, recording all incidents and applying a 'learning from failures' approach to continuous improvement at all levels. A culture programme was initiated in 2020, with targeted improvement areas as identified in an assessment by external party Sayfr in 2019. The overall objective of the programme is to ensure a continual development of the Company's safety culture.

The programme aims to direct attention to the Company's values and increase awareness of them. It supports and develops leaders' and employees' leadership skills, improving the Company's ability to manage failure and mature its safety culture.

In the programme, which is driven by the Company's own leaders, eight Leadership Behaviours describe norms that determine the ability to manage failures:

Two hundred and fifty leaders have been trained to facilitate the culture programme. All employees are receiving additional training, using 3D gamification modules of everyday situations developed for BW Offshore. During 2021, 70 per cent of the Company's workforce started the gamified training. To reinforce learning, leaders facilitate discussion and awareness sessions for each of the Leadership Behaviours with their teams. The effect of the programme will be monitored by a new culture assessment when the first implementation sequence is completed in 2022.

Practising the Leadership Behaviours and maturing BW Offshore's culture will ultimately make the Company better at living its own values: **We LEAD with Integrity.**

Eight key Leadership Behaviours

TRUST
See the value of and have confidence in other people. Believing that people act with good intentions (and without hidden agendas), even when they act and think in a way that is different from you.

OPENNESS
Be open to the possibility that no one (not even you) is right and that this might have severe consequences. Be open to feedback from others.

FEEDBACK
Give personal feedback to show that you see and appreciate what people around you do. Give critical feedback without blame or causing shame.

TEAMWORK
Collaborate towards common goals and agreed-upon norms, while helping each other become better in the process.

CARE
Take ownership of your job by resolving problems and managing failures, even when they are outside of your formal role. Show colleagues that you care about their wellbeing.

LEARN
Have the attitude that you can always learn something new, and to see failure as a vital source of learning.

SPEAK UP
Speak up if you observe non-compliance or hazards, or if you have any concerns. Encourage and empower others to do the same.

DILEMMAS
Seek out and manage failures arising from conflicts and dilemmas between goals, policies and people.

Sayfr's eight key leadership behaviours.

Stop Work

BW Offshore aims to be an industry leader, with the lowest reasonably practicable frequencies of Lost Time Injuries, High Potential Incidents (including spills to the environment and unplanned emissions) and occupational illnesses. BW Offshore believes this is aligned with the firm commitment of Zero Harm.

A safety observation card system is used at all work locations, offshore and onshore. Observations can be made anonymously. BW Offshore gives all employees the explicit authority to stop any actions they think are unsafe and/or they are unsure about, and to initiate a process to define and clarify their concerns without any repercussions or questions. The Stop Work policy is endorsed by the CEO, and conveys the expectation that everyone has the right to stop work without consequence.

Promotion of worker health

In 2021, BW Offshore arranged wellbeing awareness campaigns throughout the year for all employees. The Company also collaborated with other BW Group companies to provide online mental wellbeing sessions to all employees. These aim to promote mental health awareness and provide employees with tools to safeguard their mental wellbeing. Personnel also have access to internal mental health support tools.

All personnel can also call upon Employee Assistance Programmes (EAP) support, which includes mental and emotional support and counselling, and access to 24/7 hotlines that provide guidance and medical advice.

STOP WORK

Doc. no: MS-PO05247 Rev: 2 Published: 01.07.2019

No task is so important that you must put yourself or others at risk of injury or illness to get it done.

This policy covers all employees, visitors, contractors and any other person affected by BW Offshore activities.

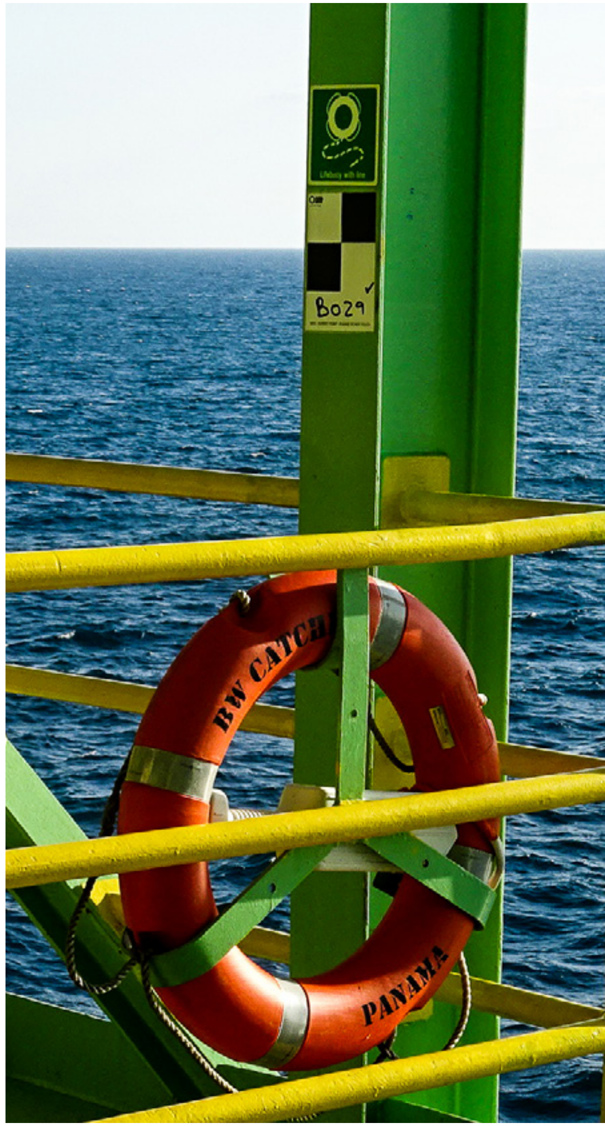
All employees, contractors and visitors have the permission and the responsibility to stop a work task or decline to perform an assigned task, without fear of negative consequences, when they believe there is a threat to the health and safety of themselves or others.

Individuals calling for Stop Work should inform their Supervisor or the person in charge of the work immediately. All people with the responsibility for performing work also have the responsibility to stop and reassess the work when a safety concern is raised.

If you are worried about your safety or the safety of others

If something feels wrong
STOP – don't do it
You have my support

Marco Beenen
CEO BW Offshore
1 July 2019



Objective 2

Environmentally conscious operations

RISKS AND IMPACTS

The risks of environmental impacts caused by BW Offshore's operations and activities are considered material. The Company integrates environmental management within the overarching BW Offshore Management System to ensure environmental risks are appropriately identified, assessed, controlled and monitored. Continual improvement is integral to the framework.

BW Offshore is engaged in the transition to renewable energy sources. This both poses new risks and creates opportunities for the Company to leverage its four decades of offshore development and operations experience to develop new low-impact solutions for clean energy production.

BW Offshore's Management System is independently certified by DNV GL to the ISO 14001:2015 environmental management standard. In 2021, the environmental management system was subject to an independent, annual ISO 14001:2015 certification audit. Compliance of environmental management practices was verified, with no major non-conformities recorded.

MANAGEMENT FRAMEWORK

Environmental management is led by the organisation's Senior Management. The Environmental Policy is endorsed by the CEO, who steers the direction of corporate climate action strategies.

BW Offshore's environmental impact is determined by assessing operational performance against key performance indicators. The Board of Directors and Senior Management review fleet-wide environmental performance on a quarterly basis. All employees within the organisation have real-time access to the fleet's environmental performance statistics.

PERFORMANCE

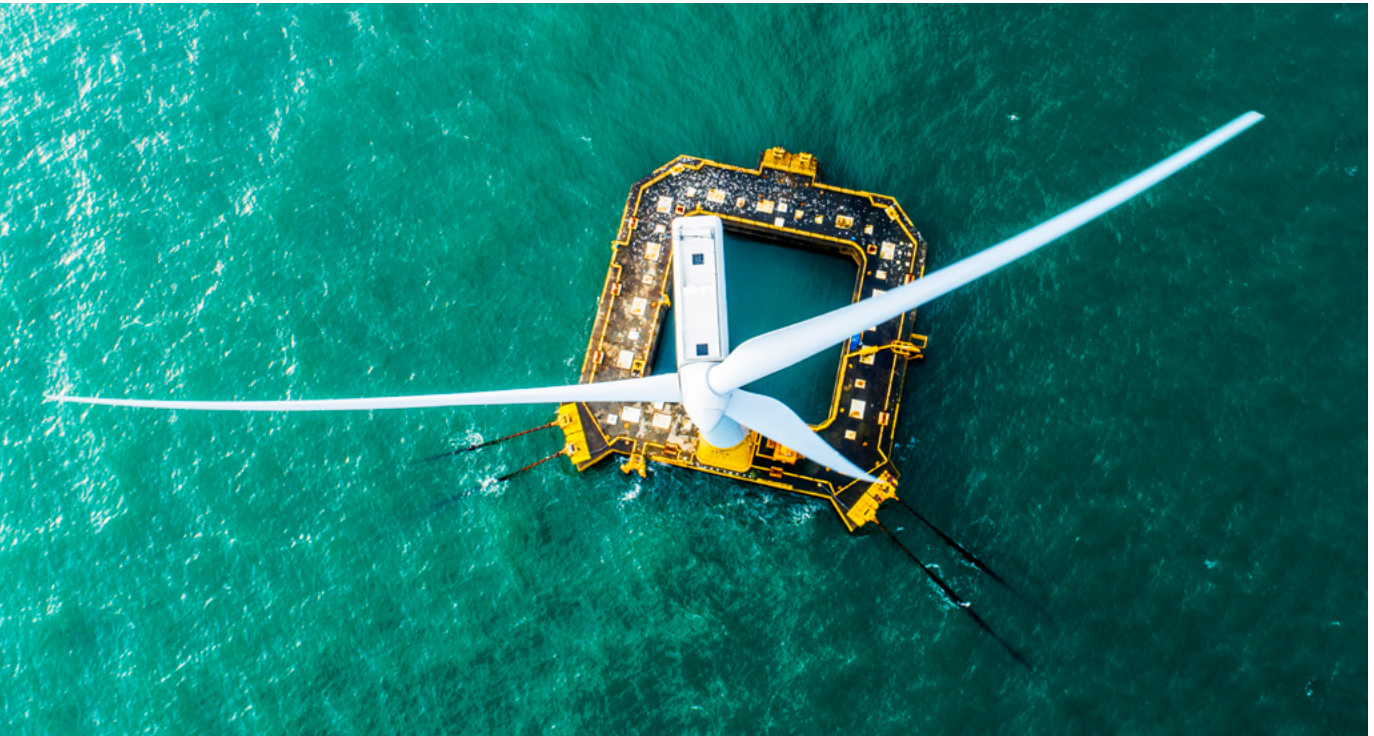
In 2021, BW Offshore engaged with several external parties to define the Company's Scope 1, 2 and 3 emissions. Dividing emissions into Scopes allows for more transparency and the development of targeted climate action strategies.

Going forward, BW Offshore will maintain close relationships with clients and suppliers to support reduction efforts for Scope 3 emissions. In partnership with the client, BW Offshore will implement cloud-based artificial intelligence emissions software on the BW Catcher FPSO in 2022, facilitating operations with the lowest possible emissions and optimising energy usage to minimise environmental impacts.

GO BACK

Corporate goals, initiatives and policies

As an energy sector services provider, BW Offshore is inherently involved in the transition to renewable energy sources. This transition poses new risks from an operational, regulatory, reputational and market perspective. It also generates new opportunities for participation, by ensuring existing fossil fuel infrastructures are operated with a minimum carbon footprint, by engaging with transitional fuels (such as natural gas) and by evaluating alternative clean energy sources.



CORPORATE GOAL: APPLY COMPANY RESOURCES AND CAPABILITIES TO DEVELOP RENEWABLE ENERGY PRODUCTION SOLUTIONS

BW Offshore aims to capture energy transition opportunities by developing adjacent business areas – employing the Company's project, operational and financial experience to explore new technologies that can be applied offshore, and to leverage resources within the extended BW Group. Floating wind will be an integral element of these energy transition opportunities.

BW Offshore has a unique ability to implement novel concepts within its fleet, and to develop new concepts and applications by utilising emerging technologies in the market. In 2021, the Company sponsored the creation of a leading floating offshore wind developer and technology provider, BW Ideol. BW Offshore held 53.2 per cent of the shares in BW Ideol at the year's end.

BW Ideol's ambition is to become a major long-term owner of floating offshore wind assets through a dual strategy. BW Ideol will form joint ventures with local utilities and financial sponsors to develop, build, install and operate floating wind farms, supported by the project execution and financing resources of BW Offshore. In addition, BW Ideol will, in cooperation with BW Offshore, act as an EPCI contractor and floater maintenance services provider, leveraging both companies' engineering, procurement, construction and installation experience. As an alternative proposition, BW Ideol offers to lease the floater and turbine as a combined asset, supported by BW Offshore's extensive experience as a lessor of FPSOs.

2021 Objectives

- Develop new business within renewable energy production

2021 Achievements summary

- Successful creation of offshore floating wind specialist BW Ideol and subsequent listing of the company on Euronext Growth Oslo
- Partnering with Invenergy to submit bid to develop up to 5.4 gigawatts of offshore wind in the ScotWind tender
- Partnering with BW Ideol to develop Power to Plant solution

Future priorities

BW Offshore will continue to support BW Ideol's commercialisation of its unique floating offshore wind technology within this growing market as a leading shareholder, and through strategic technology partnerships and joint development agreements.

The Company also plans to continue supporting its clients' carbon capture and storage technology, as was recently the case with the client for the Barossa Project.

GO BACK

CORPORATE GOAL: ECONOMICALLY MINIMISE GREENHOUSE GAS (GHG) EMISSIONS FROM OFFSHORE OPERATIONS

BW Offshore aims to minimise GHG emissions, both from its existing offshore assets and through the design of new offshore assets. In line with this, the Company set several objectives for 2021, and has delivered several tangible results as well as developing concrete plans.

2021 Objectives

- Minimising GHG emissions from offshore assets to align with global efforts to combat climate change and its impacts.
- Ensuring that the GHG emissions sources in the asset design are reduced to 'as low as reasonably practicable' through Best Available Techniques (BAT) engineering assessment in the project phase of asset development.
- Improving energy efficiency of asset design and harnessing waste energy streams from operations to maximise the economic recovery of natural resources, and contribute to the efficient and safe supply of affordable, clean energy.
- In the project phase, optimal energy efficient plant design and best available technologies will be demonstrated through engineering studies.
- During operations, monitoring and manging asset operational reliability, power management and waste energy streams according to Best Environmental Practices (BEP).

2021 Achievements summary

- Designing the Barossa FPSO to have minimum impact on the environment.
- Established five-year plans for the legacy FPSOs to enhance maintenance, targeting reduction of fugitive emissions sources and fluorinated gas leaks, and optimising combustion emission sources as far as practicable.
- Monitoring of FPSO fuel consumption.
- Joined the Carbon Disclosure Project (CDP) with a first submission of the climate change questionnaire for access by the CDP investor signatories.

BW Offshore shares the global commitment to cleaner energy sources and the reduction of Greenhouse Gas (GHG) emissions.

Barossa FPSO

In its design, BW Offshore has achieved a 15 per cent reduction in greenhouse gas emissions generated by the Barossa FPSO's heating and power system, compared with alternative legacy power generation configurations currently in use in the Australian offshore oil and gas sector. This has been achieved by applying the latest power generation technologies of combined cycle gas turbines (CCGT) with waste heat recovery.

The design selection enables a reduction in greenhouse gas emissions of 2.3 million tonnes over the planned operating life of the Barossa FPSO, which is designed with a closed flame flare system and a hydrocarbon cargo tank blanket system with vapour recovery. This design is expected to minimise the greenhouse gas emissions from open flame flaring (start-up and emergency only) and cargo tank operations over the operating life of the asset.

In 2021, a Barossa FPSO Energy Efficiency study was conducted. Through BW Offshore's design efforts and its selection of energy efficient technologies, it estimates that during normal operations, the Barossa FPSO facility will consume up to 66 per cent less energy than an industry standard design. This maximises the economic recovery from the field and significantly reduces the environmental impact.

Emissions from the legacy FPSO fleet

In 2021, BW Offshore enhanced corporate data collection, quantification and internal validation of GHG emissions sources across the fleet. FPSO fuel consumption was monitored to maximise the use of available associated gas, and to limit the use of bunkered fuels. In 2021, 86 per cent of the fuel mix used to power the Company's operating assets was sourced from by-product gas available infield.

Measures were taken to minimise operational GHG emissions through equipment maintenance and upgrades, and the performance of root cause analysis when unplanned plant upsets occurred. Monthly combustion GHG emissions performance was monitored against key performance targets.

In 2022, BW Offshore will continue to roll out the implementation of its goal to minimise GHG emissions across all fleet operations, verify the quality and content of asset-specific GHG emissions minimisation plans, and periodically assess GHG emissions performance over time.

Energy efficiency

The Company has two main ways of improving fleet-wide energy efficiency:

1. By maximising use of the cleanest and most readily available fuel sources for power generation, and minimising GHG emissions associated with transporting bunker fuels to the facility.
2. By reducing total energy demand, fuel consumption and GHG emissions, through maintaining optimal operations and ensuring systems and equipment run at their optimal efficiency range.

Future priorities

BW Offshore will continue to improve transparency related to the corporate climate action measures and disclosure mechanisms through the Carbon Disclosure Project.

In 2022, the Company will perform a gap analysis of the corporate climate action strategy against the Task Force on Climate-related Financial Disclosures.

A five-year maintenance plan to manage – and where feasible, minimise – emissions from fleet operations will be executed, monthly operational emissions thresholds will be established for all operating assets, and procedures to identify causes and mitigating actions, should thresholds be exceeded, will be introduced.

CORPORATE GOAL: ELIMINATE SINGLE-USE PLASTICS WITHIN COMPANY OPERATIONS

In 2021, BW Offshore launched awareness campaigns targeted at all employees, to enhance the organisation's understanding of climate change and the environmental challenges posed by single-use plastic waste.

For the Barossa project, a commitment statement is included in the Packing and Preservation Requirements for Suppliers, stating that suppliers of goods shall consider environmental impacts of packing/packaging materials by minimising materials and promoting re-use or recycling. For EU member states, the EU Packaging and Packaging Waste Directive (94/62/EC) Ref. /24/ shall be followed.

2021 Objectives

- Engaging with suppliers to influence their packaging selection.
- Implement alternative technical solutions to eliminate the need for plastic use, such as replacing bottled water with alternative drinking water supplies.

2021 Achievements summary

- Commitment statement included in the Packing and Preservation Requirements for Suppliers used for applicable vendors tendering for the Barossa project.
- Two operating assets have eliminated single-use plastic bottled water onboard. This equates to the elimination of 140 000 waste plastic bottles annually.
- Introduced fleet-wide enhanced plastic waste monitoring systems to identify further sources of single-use plastics that may be eliminated.

Consumption, waste and materials management

In 2021, the amount of waste generated offshore and shipped to shore for recycling increased. Hazardous waste volume reduced significantly in 2021, compared with 2020. The transportation and onshore processing of offshore-generated waste is managed through licensed waste disposal companies contracted by the Company's clients.

Future priorities

BW Offshore will ensure all Barossa project sites are free of single-use plastic bottled water in favour of reusable drinking canisters and water dispensers.

The Company also aims to perform a detailed plastics waste audit onboard a selected unit, which will include crew training by a specialist environmental organisation. The purpose of the audit is to independently verify the quantity of plastic waste generated onboard the unit, identify opportunities for reduction or elimination of plastic waste, and enhance crew education and engagement on plastic waste reduction.

CORPORATE GOAL: ELIMINATE THE USE OF HARMFUL CFCS AND HCFCS WHEREVER PRACTICABLE

The release of chlorofluorocarbons (CFCs) and hydrochlorofluorocarbons (HCFCs) into the atmosphere contributes to depletion of the ozone layer and global warming. There is a global regulatory regime, via the Montreal Protocol and its subsequent amendments, that implements the global phasing out of harmful freon gases. BW Offshore operations utilise freon gases to charge HVAC, refrigeration and fire-suppression systems onboard its assets. The Company strives to align with international action to reduce the harmful atmospheric effects of these freon gases and to ensure compliance with international phase-out regulations.

To comply with Australian regulatory requirements, the Barossa FPSO is designed with freon systems that are CFC- and HCFC-free.

On BW Catcher, an environmentally friendlier HVAC charging gas was identified in 2021, and has now been deployed. Combined with enhanced system maintenance, this reduces the likelihood of (and potential for) environmental impacts arising from unplanned system leaks.

2021 Objectives

- Maximising operational efficiency of power and combustion equipment and the reliability of the process plant to minimise combustion emissions, flaring and direct emissions during operations.

2021 Achievements summary

- Barossa FPSO designed with freon systems that are CFC- and HCFC-free.
- Implemented a system for monitoring and reporting usage of freon gases on the legacy fleet.
- Replaced HVAC charging gas on BW Catcher with a product that has a reduced global warming potential.

Future priorities

In 2022, routine maintenance on freon gas systems will be enhanced, to minimise leaks and reduce freon gas consumption in legacy assets. BW Offshore will engage with freon gas suppliers to determine if environmentally friendlier alternatives are available for all FPSOs, and phase out the use of controlled ozone-depleting substances in line with international norms and timelines.

GO BACK

Additional environmental aspects

OIL SPILL MANAGEMENT

The most significant short-term impact to the marine environment and regional biodiversity associated with BW Offshore operations would be a significant oil spill event. In 2021, all assets performed scheduled annual oil spill response drills to test their responsiveness and preparedness for unplanned oil pollution events. Drills onboard all facilities will continue in 2022 to ensure the preparedness of personnel, equipment and management systems.

Cumulatively, accidental spills to sea of hydrocarbons totalled less than 1 barrel in 2021.

	Number of significant oil spills	
Year	Overboard spills >100 bbls	Overboard spill < 100 bbls
2021	0	65 litres
2020	0	10 litres
2019	0	19 litres
2018	0	319 litres
2017	0	401 litres
2016	0	237 litres
2015	0	238 litres

AIR QUALITY

Non-GHG (non-greenhouse gas) emissions, such as sulphur and nitrogen oxides, are released during fuel combustion for the power generation and heating systems required to run the FPSO plant. These pollutants impact human and animal health and air quality, and may lead to acid rain and the subsequent acidification of waterways and habitat contamination. BW Offshore is committed to reducing the impact of non-GHGs, and emissions are recorded and monitored fleet-wide.

EFFLUENT MANAGEMENT

All fleet planned effluent streams (produced water, sewage, engine room bilges, cooling water and food wastes) have been discharged within regulatory requirements and industry guidelines. Produced water discharges across the BW Offshore fleet are well within the World Banking Group guideline limit of 29ppm (parts per million) oil in water content (monthly average). In 2021, the average produced water discharge from the BW Offshore fleet was 12.71 parts per million.

BIODIVERSITY MANAGEMENT

BW Offshore is committed to protecting local habitats and native wildlife in the areas where the Company operates. BW Offshore's potential impact on biodiversity is included in the oilfield operator's environmental impact assessments and monitoring programmes, which are subject to local regulatory approvals.

Biofouling and ballast water are specific maritime hazards that are relevant only when an FPSO relocates from one location to another. The hull, appendages and seawater systems provide an opportunity to transport non-native, invasive marine species between locations, which can lead to the displacement of native marine species and alter the natural biodiversity at transit points or at the final destination. BW Offshore follows applicable local regulatory requirements when relocating assets.

In 2022, BW Offshore will complete design lighting studies for the Barossa FPSO to reduce light pollution to the environment and to improve energy efficiency on the unit.

SHIP RECYCLING

Ship recycling is inherently sustainable, involving the maximum material recovery of an end-of-life asset. Nonetheless, BW Offshore is aware that ship recycling practices can also pose unacceptable risks to the environment, human health and safety due to unsustainable recycling practices. BW Offshore has integrated safe and sustainable ship recycling practices that comply with the IMO Hong Kong Convention into its corporate operational standards and procedures.

Future recycling projects will ensure all assets are delivered with hazardous material inventories. BW Offshore's policy on ship recycling is to ensure any vessel owned by the Company (or sold to an intermediary with the intention of being scrapped or recycled) is recycled at a yard that operates in accordance with the Hong Kong International Convention for the safe and environmentally sound recycling of ships. These requirements have been translated into standard business operating practice.

In 2021, BW Offshore disposed of the FPSO Berge Helene for recycling in Alang, India. The unit departed Singapore with a statement of compliance to the Hong Kong Convention and all necessary import permits. The Company has nominated Grieg Green as representatives to be on site at the recycling yard to monitor progress, compliance with environmental and safety regulations and that the ship recycling plan is applied. A recycling plan was prepared and provided by the yard in cooperation with Grieg Green to ensure strict compliance with the above regulations. Recycling activities are under way, and expected to be completed in 2022. BW Offshore is providing daily site supervision of the recycling activities to ensure continual compliance to Hong Kong Convention health, safety, human rights and environmental goals.

Objective 3

Being a non-discriminating and fair employer

RISKS AND IMPACT

Operating in several countries, BW Offshore is dependent on being perceived as a fair and non-discriminating employer to attract and retain competent and engaged employees. The Company carefully considers any impact of its activities on local communities and indigenous peoples.

Maintaining a competent workforce that is culturally aligned with Company objectives is imperative to deliver safe and sustainable operations. A lack of training and development may prevent workers from making their fullest possible contribution to the workplace, and impede the creation of a harmonious, motivated and productive working environment.

BW Offshore believes that diversity promotes healthy collaboration and positive development of the Company's capabilities, and operates with multinational teams on all offshore assets and in all onshore locations. The Company is committed to ensuring equal opportunities regardless of gender, ethnic background, age, religion or sexual orientation, and aims to provide a comfortable and adequate work environment for all employees.

MANAGEMENT FRAMEWORK

BW Offshore prohibits unlawful discrimination based on ethnic or national origin, age, gender identity or expression, sexual orientation, marital status or family structure, religion or disability. Inappropriate workplace conduct, such as harassment, violence or discrimination, is not tolerated. This is reflected in the Company's Human Capital policy.

The Company has established policies, routines and procedures aligned with ethical and compliant business practices, such as rules for transparent recruitment and the provision of employment agreements that establish the rights and entitlements of personnel.

GO BACK

BW Offshore supports the United Nations Universal Declaration of Human Rights and the standards advised by the International Labour Organisation (ILO). Slavery, forced labour, child labour, torture and other violations of human rights are totally unacceptable.

PERFORMANCE

The Company's workforce consists of permanent employees, contracted staff on direct hire and consultants hired via third parties. The total headcount in BW Offshore decreased from 1 927 in 2020 to 1 849 at the end of 2021. This reflects a shift in workforce composition as the FPSO contracts in Brazil expired and the Barossa project activity increased.

Gender composition has been stable from 2020 to 2021. On 31 December 2021, 14 per cent of the total workforce was female and 86 per cent male. Onshore, the workforce comprised 33 per cent female and 67 per cent male employees.

Women held 20 per cent of the seats on the Board of Directors of BW Offshore Limited, and accounted for 27 per cent of the Senior and Functional Management team. In 2021, 32 per cent of new joiners onshore were women (39 per cent in 2020). The average age of the Senior and Functional Management team is 51.3 years.

BW Offshore strives to eliminate gender bias and supports equal opportunities both in recruitment and career advancement. In order to further enhance the evaluation of remuneration based on position and level of seniority, BW Offshore is currently developing a streamlined system for monitoring trends. This will enable improved methods of verifying that employees get the same remuneration for the same job.

GENDER COMPOSITION

Gender/Position type	SMT/FMT	SVP/VP	Manager	Others	Total
Female	27%	21%	24%	37%	33%
Male	73%	79%	76%	63%	67%

Corporate goals, initiatives and policies

CORPORATE GOAL: MAXIMISE RECRUITMENT AND LONG-TERM DEVELOPMENT OF LOCAL TALENT IN AREAS OF OPERATION

Local content

A strong local connection provides knowledge, widens the available competence base and fosters a strong joint Company culture. The Company is committed to meeting and exceeding minimum local content requirements in its areas of operation. Developing local content and competencies strengthens BW Offshore's position and operational capabilities.

2021 Objectives

- Develop targeted recruitment and development programmes in all locations where the Company operates.
- Assign experienced assessors and mentors to support individual development for local talent.

2021 Achievements summary

- Revised recruitment procedure to include priority for local candidates in all offshore positions.
- Plans in progress for targeted assets to secure increased percentage of employees with local nationality.
- Plan established for Barossa recruitment, with the goal of 100 per cent of offshore personnel to be Australian residents.

The share of local offshore management was at 33 per cent in 2021, compared with 35 per cent in 2020. The decrease is due to the shutdown of operational activities in Brazil and New Zealand. BW Offshore's strategy is to increase this percentage by prioritising local candidates for any open management positions, maintaining focus on training programmes for fast-track development of local talents, and providing clear goals on workforce nationality within the regional presence. Building competence takes time, and the Company is committed to developing local competencies in leading positions. The percentage of local employees in the total offshore staff was steady at 70 per cent in 2021.

Barossa project

For the Barossa project phase, which will last until 2025, approximately 60 contractors and consultants have been hired. A recruitment plan for the operations of the FPSO is under development. Actual recruitment for offshore personnel is expected to start in 2022, with an emphasis on diversity and local hiring in Australia.

An Employment Relationship Management Plan (ERMP) was developed in 2021, and approved by the client in January 2022. A Diversity and Inclusion Plan was also developed in 2021 with a local Australian specialist to create recruitment principles related to the Barossa recruitment plan. BW Offshore is collaborating with local recruitment agencies in Australia to ensure the Company adheres to applicable laws and regulations related to local content, diversity and inclusion.

Training, competency and assessment

Learning and development is a continuous process throughout the course of employment, and BW Offshore continuously invests in employee development.

BW Offshore has its own e-learning portal, the BW Offshore Academy, with more than 160 internal courses available. The portfolio includes technical and operational training, administration, mental health awareness and Covid-19 awareness modules. Specific e-learning courses are included in a global training matrix for offshore units, ensuring all workers have sufficient training for their roles, and HSE induction training is mandatory for all offshore and onshore work locations.

BW Offshore records and monitors progress to ensure that all employees have valid training and certification to comply with internal and external requirements for each position. The applicable training and certification requirements are specified in the Management System.

Internal courses are developed and reviewed on a continuous basis, based on industry best standards. To improve understanding and increase the effect of training, a large proportion of the courses are available in several languages, such as English, Spanish, French, Portuguese and Bahasa.

The e-learning portal is also important to ensure visitors, including consultants and subcontractors, have access to relevant training before they embark on the Company's units. During 2021, visitors completed a total of 5 055 e-learning courses.

BW Offshore has its own team of Competency Assessors to ensure that all offshore personnel are properly trained and competent to safely carry out the roles and responsibilities assigned.

The process of establishing new development programmes has been affected by the Covid-19 pandemic, and travel restrictions imposed throughout the world have affected assessors' and mentors' abilities to travel to local offices to support individual development. Digital support has been provided, permitting them to follow up remotely.

Attracting young talent

The oil and gas sector is increasingly competing with other industries to attract and retain competent and engaged employees. BW Offshore's Young Talent Programmes are aimed at attracting and retaining talent even before graduation, and aim to recruit five to 10 young people every year.

The BW Offshore Summer Internship Programme is a three-time winner of the Student Placement Award conferred by the Aberdeen & Grampian Chamber of Commerce during the annual Northern Star Business Awards in the UK. The programme won the award in 2018, 2019 and 2021. During 2021, six summer interns from two different countries participated in the global programme. In addition, the Company facilitates several local initiatives for young talent.

The BW Offshore Graduate Programme aims to give recent graduates a comprehensive introduction to the business, as well as a strong understanding of expectations and opportunities within the Company. In 2021, four new graduates were enrolled into the programme. This kept the total number of current graduates at 11 – eight male and three female – employed at three different locations.

E-LEARNING COURSES OFFERED AND COMPLETED BY BW OFFSHORE EMPLOYEES:

	2019	2020	2021
Total courses offered	75	160	**161**
Courses completed	12 944	14 666	**9 554**
Onshore	–	–	1 657
Offshore	–	–	7 897
Average courses completed per employee	6.3	7.6	**4.7**
Hours per employee	4.4	5.7	**2.1**

Because of the ongoing Covid-19 pandemic, the opportunity to engage with students via career fairs and university visits was impacted, resulting in fewer new graduate approaches than initially planned. In 2022, the Company will expand the graduate programme by reaching out to more universities and targeting students from more fields of study.

In 2021, the first graduate exchange took place with BW Ideol, integrating experience within offshore wind technology. Additionally, the first graduate programme based offshore was inaugurated: one graduate was assigned to a position in the production department on BW Catcher, with the objective of beginning a long-term offshore career.

Future priorities

Going forward, BW Offshore will finalise and implement plans to increase the percentage of the workforce from the local area for targeted assets. The Company also plans to expand the Graduate Programme to additional locations and functions.

CORPORATE GOAL: RECOGNISE DIVERSITY AND ENSURE EQUAL OPPORTUNITIES, INCLUDING FAIR EMPLOYMENT CONDITIONS

2021 Objectives

- Continue to implement and secure a Living Wage standard for all employees and subcontractors.
- Further strengthen diversity within the Company. Define targeted actions to recognise and promote diversity and inclusion across the organisation. Involve and engage employees via the internal Diversity and Inclusion Committee.

2021 Achievements summary

- All employees have been included in the Living Wage standard.
- Increased focus on diversity, equity and inclusion (DE&I) through strengthening the definition and commitment by establishing a DE&I policy statement and including DE&I requirements in the recruitment procedure.
- A company-wide DE&I survey was conducted.
- A wellbeing committee was established and mental health awareness campaigns conducted.

Fair compensation

BW Offshore considers a Living Wage to be a human right. The Global Living Wage Coalition defines it as 'The remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family'. The Company has implemented a Living Wage standard for its personnel, and has set the expectation that a Living Wage should be paid throughout the Company's supply chain. This expectation is stated in the BW Offshore Supplier Code of Ethics and Business Conduct.

The Company has initiated a project to analyse the wage levels and conditions of supply chain partners, on a tiered basis, with the long-term objective of ensuring that all existing suppliers meet this expectation. A commitment to paying a Living Wage is one of the criteria assessed during the qualification and selection of third parties. In 2021, implementation of Living Wage for personnel hired through subcontractors was completed in Nigeria, and implementation for personnel hired through subcontractors in Ivory Coast and Gabon is in its final phase and will be completed during 2022.

BW Offshore takes a holistic view of various factors to ensure that total employee compensation is fair, and is above the minimum legal requirements and Living Wage standards in the various locations in which the Company operates. These factors include:

- **Pay for position**: Independent compensation consultants are engaged periodically to ensure that pay levels in the Company are competitive with other companies of comparable size and business nature operating in the same markets.
- **Pay for person**: An employee's personal attributes, such as skills, experience and competency, influence the individual pay level and salary reviews.
- **Pay for results and performance**: The individual remuneration should reflect achievement of results, accomplishments and performance. The differentiation of base pay and variable pay should be a fair recognition and reward.

The fair evaluation of compensation is ensured through alignment processes in the yearly salary review. The Management team, guided by the Human Capital function, collectively review all evaluations and salaries across teams and locations. Further, the Human Capital function reviews and ensure aligned and fair compensation for same jobs in each location, as well as monitor competitiveness in the local employee market. The Human Capital policy clearly states that compensation schemes should be effective and equitable.

The compensation structure may incorporate any of the following elements:

- Fixed compensation
- Variable compensation (short-term and long-term incentives programme)
- Pension and insurance schemes
- Other employment-related benefits

The BW Offshore Compensation Committee, appointed by the Board of Directors, is responsible for assisting the Board of Directors on executive compensation. Executive compensation, including variable compensation schemes (VCS) and benefits, is subject to annual review at the discretion of the Board of Directors in accordance with the Company's Guidelines on Executive Remuneration.

The VCS pay-out is determined according to overall Company results broken down to net profit, return on equity and equity ratio, and HSEQ (health, safety, environment and quality) performance where the target is to keep or improve the safety statistics throughout the year. The maximum potential pay-out of the Variable Compensation Scheme for the Executive Management Team is set at an equivalent to six months' base salary.

Employee rights and obligations

BW Offshore is committed to supporting freedom of association and collective bargaining, and all employees have the right to such involvement.

Collective bargaining is exercised in Brazil, Gabon, Singapore and Nigeria. The interests of the employees are commonly presented by representatives of a trade union to which the employees belong, and the negotiation timeframe may vary according to local regulations. At year end, 37 per cent of the total global workforce was covered by collective agreements.

Singapore, the Company's largest office, is covered under a collective agreement by the Shipbuilding and Marine Engineering Employees' Union (SMEEU). The agreement enables a tripartite employment arrangement in which the government, employer and union work together to provide employees with a fair and progressive work environment.

Working conditions for employees not covered by formal collective bargaining are based either on agreements involving other relevant employees covered under collective bargaining, or – where such agreements do not exist – by evaluating external market standards and benchmarks.

Labour relations and work environment

Local Work Environment Committees (WEC) or their equivalent are in place to ensure that a secure, safe and healthy working environment is implemented, discussed between management and employee representatives and maintained appropriately. In Norway and Singapore, the Company's two largest offices, committees with employee representatives meet on a quarterly basis. The WEC participates in planning of safety and environmental work, and follow-up developments relating to the safety, health and welfare of the employees.

At all offshore units in operation, there is an equivalent organisation called the Offshore Safety Committee (OSC) that maintains monthly meetings between employee representatives and the Company to discuss occupational health and HSE-related topics. Health risk assessments are in place for all operational locations. At offshore work locations, a dedicated medic, equipment and facility are provided to manage illness and injury.

At all locations, onshore and offshore, employees have access to observation cards where safety-critical actions, improvements, positive actions and recommendations can be submitted. All cards are registered, and follow-up is required by the Company.

Third-party compliance with human rights and fair employment

Third parties providing goods and services to BW Offshore are expected to comply with human rights and relevant employment practices. The Company performs due diligence to support efforts to ensure the various supply chains operate in an ethical and responsible manner – preventing slavery, human trafficking, forced or child labour and any other violations of human rights or labour standards.

Performance management

Performance management is the ongoing process of dialogue and following up on personal development, clarification of expectations, setting goals and giving feedback between a manager and an employee that occurs throughout the year. This process is an important element of leadership, continual learning and personal development in the Company. In line with BW Offshore's continuous improvement efforts, the Company is reviewing the value and effect of the current Performance Management process and aligning it with the goals and objectives of the Culture Programme and the outcomes of Project Evolve.

Annual performance dialogues are initiated for all permanent employees, and are encouraged for all long-term temporary employees. In 2021, the

completion rate of performance dialogues was 70.7 per cent, compared with 83.4 per cent in 2020.

Diversity, equality and inclusion (DE&I)

BW Offshore's commitment to DE&I was in 2021 reinforced by BW Offshore's Diversity, Inclusion and Equity Statement, available on the Company's website.

The Company has a diverse workforce, and it attracts, recruits, develops and retains people regardless of gender, nationality, ethnic background, age, religion or sexual orientation, across all types of positions. The Company has employees from 55 nationalities, aged between 21 and 73.

BW Offshore has established a Diversity and Inclusion (D&I) Committee, which in 2021 was appointed to work as a reference group to promote initiatives and internal mapping of DE&I matters. The reference group comprises employees of different nationalities, locations, genders and races. A voluntary workforce survey in April 2021 concluded that there is a desire for more awareness and training around DE&I topics – such as what these concepts mean for the organisation, and how they should be safeguarded at the work site.

To ensure diversity is taken into account in all recruitment processes, DE&I principles have been included in the global Recruitment Procedure. The intention is to evaluate and secure overall diversity in the organisation, by ensuring these principles are considered when making new hires.

Future priorities

In 2022, BW Offshore will continue implementation of a Living Wage standard for all subcontractors.

As part of the Code of Ethics and Business Conduct refresher programme, a diversity and inclusion awareness module will be launched, and the Company will monitor implementation of DE&I principles in the recruitment processes, as well as conduct a new Culture Assessment among the workforce.

Objective 4

A strong governance framework

RISKS AND IMPACTS

As a global organisation, BW Offshore deals with regulators and legislators in different countries. Ensuring compliance with all laws, rules and regulations is a priority for the Company, so that it can ensure there is zero tolerance for corruption and unethical business practice.

The Company's conduct, and the development of its business, is subject to several categories of risk, and is monitored via third-party vendor auditing, grievance mechanisms and a strong governance framework.

The Company respects the rights and dignity of all people in the organisation, and supports activities that contribute and generate substantial local revenue in terms of salaries and tax income.

GOVERNANCE STRUCTURE

BW Offshore has a well-developed corporate governance structure, and adheres to the Norwegian Corporate Governance Board (NUES) Code of Practice, last updated on 14 October 2021.

MANAGEMENT FRAMEWORK

Ethics and business conduct compliance

The Company has developed policies for ethics and business conduct, which provide a basis for the attitudes and principles that govern its culture. These comprise the BW Offshore Ethics and Business Conduct compliance programme.

The BW Offshore Code of Ethics and Business Conduct ('the Code') represents the commitment to respect the individual, uphold human rights and institute fair and ethical employment practices. The latest version of the Code is available on the Company website. The Code is supplemented by specific Ethics and Business Conduct Guidelines ('the Guidelines'), other subject-matter policies and relevant internal procedures in BW Offshore's Management System.

The Code applies to all personnel and representatives of BW Offshore and companies in which BW Offshore has a majority interest (including joint ventures), and to all BW Offshore Board members, officers, temporary employees and legal agents, consultants, intermediaries and others who act on behalf of BW Offshore.

The BW Offshore Ethics and Business Conduct compliance programme covers a range of subjects and comprises compliance management activities administered by BW Offshore's Head of Corporate Integrity, who reports directly to the CEO.

The activities and progress of the Ethics and Business Conduct compliance programme are reported to the BW Offshore Board of Directors and discussed on a quarterly basis.

PERFORMANCE

In 2021, BW Offshore completed a benchmarking exercise against the criteria for honourees on Ethisphere's 'World's Most Ethical Companies' list. Ethisphere is considered a global leader in defining and advancing the standards of ethical business practices, allowing organisations to compare themselves with peers and learn about the strengths and weaknesses of their applicable programmes. On the basis of these findings, BW Offshore will initiate and follow up on the activities required, with the aim of being included on Ethisphere's list.

In 2021, BW Offshore implemented several anti-bribery compliance programmes, and will continue this work in 2022. The Company also aims to complete integration of a third-party screening platform with an internal vendor qualification programme, to enable automation of existing compliance processes and risk assessment, and enable the assigning of action items based on identified associated risk level.

Corporate goals, initiatives and policies

CORPORATE GOAL: ELIMINATE ANY UNETHICAL AND NON-COMPLIANT BUSINESS PRACTICES IN THE ORGANISATION

2021 Objectives

- Ensure zero tolerance for corruption throughout the organisation, via implementation of anti-bribery compliance programme measures.

2021 Achievements summary

- Developed the Code of Ethics and Business Conduct refresher programme to update employees on key developments of the Company's compliance programme.
- Increased accessibility to the online Compliance Platform for all offshore employees, enabling online compliance reporting such as conflict of interest declarations, gifts, hospitality, donations. and sponsorships.
- Benchmarking exercise against. Ethisphere 'World's Most Ethical Companies' honourees list criteria.
- Developed audit protocol on ethical employment practices.

Awareness programme

Seven of the Company's e-learning courses are related to compliance. This training is developed for all personnel and representatives, and is completed on a regular basis to ensure that the entire workforce knows and understands the Company's expectations and commitment to compliance. The completion rate for the compliance-related mandatory e-learning modules was 96 per cent in 2021.

The Corporate Integrity function will be launching a yearly attestation for all personnel and representatives on the Company's Ethics and Business Conduct guidelines, including awareness of the Company's Speak Up Channel – on which they can raise questions or concerns about ethical and legal dilemmas.

Anti-bribery and corruption principles

BW Offshore opposes any and all forms of corruption. Together with the other companies in the BW Group, it is a member of the Maritime Anti-Corruption Network (MACN), a global business network working towards the vision of a maritime industry free of corruption, enabling fair trade to the benefit of society at large.

Guidelines on anti-bribery and corruption can be found on the BW Offshore website. These guidelines are based on the principles stated in the Code of Ethics and Business Conduct and associated Guidelines, and provide further guidance to all personnel and representatives.

Recognising bribery and corruption

Bribery is understood to be an offer or receipt of any gift, loan, fee, reward – monetary or in any other form of advantage – to or from any person, as an inducement to do something that is dishonest, illegal or a breach of trust, such as to improperly retain or obtain business or other improper advantage, in the conduct of the Company's business.

Bribery and corruption can be hidden in common forms of disguise, such as through gifts and entertainment, donations, sponsorship or political contributions. Instances of gifts or hospitality that are excessive or could be seen to influence decision-making or judgements are not acceptable. BW Offshore has established corporate reporting and approval mechanisms to review and monitor the giving or receipt of gifts or hospitality. During review and approval activities, no instances of inappropriate gifts or hospitality (giving or receiving) were discovered in 2021.

Facilitation payments

BW Offshore does not pay what are commonly known as facilitation payments, and will actively work to avoid them in all operations.

BW Offshore personnel should never encourage nor initiate facilitation payments, and the general rule is that they should be resisted. Such payments can only be made in exceptional circumstances, as in cases of extortion where demands for payment are associated with expressed or reasonably perceived threats (of physical harm, detention or undue harassment). BW Offshore has established reporting requirements and procedures for dealing with cases of extortion or threat of harm.

Loyalty and conflicts of interest

The Company expects that no employee will knowingly place himself or herself in a position that would be, or would have the appearance of being, in conflict with the interests of the Company.

The Company requires that all employees transparently and honestly complete the annual Conflict of Interest Declaration assigned to them. This requires personnel to disclose all business, commercial or financial interests, or other related activities (including those of their immediate family members) that might create a conflict of interest.

Conflict of Interest Declarations are collected through the Company's Compliance Platform (the Corporate Compliance Reporting System) to make reporting easier and allow for more comprehensive review and recording of decision-making related to declared conflicts of interest.

The Compliance Platform was launched in late 2019, and was initially only available for onshore employees.

From November 2021, offshore users can also perform online compliance reporting such as Conflict of Interest Declarations, and details of gifts, hospitality, sponsorship and donations (previously submitted in paper format). The Corporate Integrity function may also assign action items and/or communicate compliance campaigns to the offshore users in a streamlined way, via the system.

Political contributions

BW Offshore, through its officers, agents and/or personnel, will not make any offer or payment to, promise to pay, or authorise the transfer of any BW Offshore assets to political parties, officials or candidates for political office, as this can be perceived as an attempt to gain an improper business advantage, and presents an area of risk of damage to the Company's reputation.

BW Offshore allows personnel to exercise their personal right to voluntarily participate in political and democratic processes. However, personal political activities must be conducted on their own time, and with their own resources. In addition, it is the personnel's responsibility to make sure that personal political pursuits and contributions do not create potential conflicts of interest with the Company, and comply with applicable laws governing political activities and contributions.

BW Offshore is committed to ensuring that the Company discloses any political donations and/or lobbying expenditures.

Record keeping and approval procedures

BW Offshore has financial policies and procedures covering record keeping and several other internal financial controls. Such controls ensure that BW Offshore and its subsidiaries will maintain books, records and accounts which, in reasonable detail, accurately and fairly reflect all the Company's transactions. At a minimum, BW Offshore and its subsidiaries will maintain a system of internal accounting controls sufficient to reinforce compliance with this policy and provide reasonable assurance that:

- Transactions are executed in accordance with management's general and specific authorisation procedures.
- Transactions are recorded as necessary to permit accurate preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and to maintain accountability of assets.
- Access to Company assets and funds is permitted only in accordance with management's general or specific authorisation.

It is expressly forbidden to forge accounting records or otherwise try to conceal, disguise or hide bribes or facilitation payments. Failure to comply with this directive may result in disciplinary action, including termination, and the case may need to be reported to the relevant authorities.

Reporting concerns, asking questions and raising grievances

BW Offshore has established routines and an externally available grievance mechanism (the BW Offshore Speak Up Channel) allowing employees, business partners and relevant stakeholders to report any concerns involving breaches of laws, regulations or BW Offshore's expectations in the Code and Guidelines. The Speak Up Channel enables reporting via the web or by telephone, with local access numbers provided for most countries in the world. Users can speak to operators in 58 languages, including the official languages of all the countries in which BW Offshore operates. Reports can be made anonymously.

BW Offshore undertakes that no retaliation will be taken against any personnel for raising any concern, question, grievance or complaint in good faith. All reports are treated confidentially and investigated promptly, thoroughly and fairly. Reports received and questions asked through the Speak Up Channel function are communicated to the BW Offshore Board of Directors on a quarterly basis. The results of investigations will be reported to the Board on at least an annual basis.

Breaches of BW Offshore's Code or relevant statutory provisions may result in disciplinary action, or dismissal with or without notice, and may also be reported to the relevant authorities. BW Offshore is committed to making necessary corrections and taking remedial action to prevent recurrence, should improper practice occur.

In 2021, BW Offshore recorded 19 reports across the BW Offshore Speak Up Channel, of which 16 were subject to further investigation and specific actions taken by the Company. None included any confirmed cases of corruption.

Compliance assessment of business partners

BW Offshore requires its suppliers to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. The Supplier Code of Ethics and Business Conduct expresses the expectations that BW Offshore holds for its suppliers, and is available on the Company website.

All business partners (including country partners, agents acting on behalf of the Company, and suppliers who provide goods and services) are assessed for:

- Compliance with relevant laws and regulations.
- Compliance with the principles and spirit of the BW Offshore Code of Ethics and Business Conduct (and the Guidelines).
- Any red flags that may indicate that use of the external party might have an adverse effect on BW Offshore's reputation.

The Company will not engage an external party if the compliance risk is deemed too high.

In 2021, BW Offshore compliance assessed 1 046 business partners, of which 155 (or roughly 15 per cent) were subject to additional compliance activities prior to being accepted as a potential tenderer, or prior to being engaged to provide goods or services to the Company. Recurring screenings are also performed using a third-party platform (Diligent) on existing suppliers when any new red flags are identified. During 2021, no potential business partners were rejected from doing business with BW Offshore following the compliance assessment.

Vendor labour practices

The Company's commitment to respect for the individual, human rights and ethical employment practices is also reflected in qualification compliance assessment work. BW Offshore is collaborating and harmonising with Achilles (a third-party qualification platform for suppliers) to incorporate standard ESG scoring to measure the response made by suppliers to questions in the different categories (environment, social and governance). This joint effort will help create an industry standard for ESG measurement and the evaluation of suppliers.

The BW Offshore Supplier Code of Ethics and Business Conduct and BW Offshore's Modern Slavery Statement – which can be found on the Company website – detail the risk assessments and activities that aim to eradicate the risk of modern slavery, human trafficking and forced or child labour within the Company's business and supply chain.

In 2021, BW Offshore developed an Audit Protocol on ethical employment practices, as an extension of the existing vendor qualification programme. Identified high-risk suppliers are required to respond to an additional, detailed desktop questionnaire on ethical employment practices. The questionnaire will be followed up by on-site verification audits for selected suppliers.

This audit protocol will be rolled out in early 2022 for key suppliers to the Barossa Project, with the ultimate goal of expanding it to BW Offshore's global third-party compliance programme by the end of 2022.

Approach to tax

The Company supports the Organisation for Economic Co-operation and Development (OECD) commitment to enhance tax transparency, and is committed to being in full compliance with applicable laws in countries where it operates. The Company complies with the OECD transfer pricing guideline. Consistent with this approach, BW Offshore supports the initiatives on Base Erosion and Profit Shifting (BEPS), and files detailed reports and transfer pricing documentation in accordance with BEPS Action 13.

BW Offshore aims to be tax efficient in order to be cost competitive, while fully complying with local and international tax laws. The Company makes use of the availability of international tax treaties to avoid double taxation and does not apply aggressive intra-company financing structures such as hybrids.

In 2021, BW Offshore reported a current corporate tax income of USD 15.3 million under IFRS (compared with USD 38.0 million tax expense in 2020). USD 24.9 million was paid in taxes in 2021 (USD 34.9 million in 2020).

Future priorities

The Company will focus on increased KPI reporting to enable improved tracking of the Compliance Programme effectiveness. In 2022, the Code of Ethics and Business Conduct refresher programme will be rolled out for all employees.


BW Offshore
BW ADOLO

Summary of ESG KPIs

	2021	2020	2019
PEOPLE			
Group total	**1 849**	1 927	2 126
Onshore	**761**	720	809
Offshore	**1 088**	1 207	1 317
Split nationals/expat Offshore	**70% / 30%**	70% / 30%	69% / 31%
Employee turnover rate	**8.90%**	7.04%	7.83%
Gender split (female/male)			
Group total	**14% / 86%**	13% / 87%	13% / 87%
Onshore	**33% / 67%**	31% / 69%	30% / 70%
Offshore	**2% / 98%**	2% / 98%	3% / 97%
Group Senior Management and Functional Management	**27% / 73%**	27% / 73%	25% / 75%
Board of Directors	**20% / 80%**	20% / 80%	17% / 83%
HEALTH AND SAFETY			
Sick leave	**1.4%**	1.2%	1.9%
Fatalities Employees	**2**	0	0
Fatalities Contractors	0	0	0
Lost Time Injuries rate (per million exposed hours)[1]	**0.78**	1.86	0.48
Number of Lost Time Injuries	**4**	9	5
Total Recordable Injury rate (per million exposed hours)[1]	**1.75**	2.69	1.45
Number of Total Recordable Injury	**9**	13	15
High Potential Incidents (per million exposed hours)[1]	**0.97**	1.03	0.78
Number of High Potential Incidents	**5**	5	8
Contractors Lost Time Injuries	**0**	1	5
Total Exposure Hours (million man hours)[1]	**5.15**	4.83	10.32

[1] In 2020, the calculation of exposure hours has been adjusted to reflect actual working hours (12hr shift) compared to a 24hr exposure period.
This has significantly reduced the total exposure hours across the fleet and therefore increases LTI, TRI and HPI rates compared to prior reported performance.

		2021	2020	2019
ENVIONMENTAL IMPACT				
Scope 1 – CO_2, eq (CO_2, CH_4, N_2O and HFCs)	tonnes	**23 639**	16 574	
Scope 2 – CO_2, eq (CO_2, CH_4, N_2O)	tonnes	**446**	278	272
Scope 3 – CO_2, eq (CO_2, CH_4, N_2O)	tonnes	**1 630 812**	1 421 123	
Energy consumption offshore	GJ	**10 263 556**	12 043 007	14 717 502
GHG (Fleet Operations)				
CO_2 equivalent	tonnes	**1 636 548**	1 431 281	1 670 719
N_2O	tonnes	**68**	67	80
CH_4 (Methane)	tonnes	**6 214**	5 094	9 123
CO_2	tonnes	**1 432 463**	1 254 679	1 393 695
CO_2 equivalent per barrel produced	kg / boe	**22**	19	15
GHG emissions intensity (Includes scope 1 and 2; CO_2, CH_4, N_2O, HFCs)	Te CO_2 eq/mill USD	**29**	19	35
Non-GHG and Discharges				
CO	tonnes	**3 368**	2 881	2 898
NO_x	tonnes	**10 383**	11 250	8 233
SO_2	tonnes	**138**	224	340
nmVOC	tonnes	**3 553**	6 316	10 644
Flaring				
Flared Gas	mmscf	**14 681**	9 890	9 770
Air Travel Emissions (in Tonnes CO_2, equivalent)				
Fleet Operations	tonnes	**5 355**	4 886	9 277
Corporate	tonnes	**948**	1 531	6 060
Marine Discharges and Chemical Management				
Produced Water Re-Injected	bbl	**15 402 876**	7 529 831	2 055 850
Produced Water Discharged to Sea	bbl	**27 664 380**	37 969 631	67 657 546
Oil in Water Content	ppm	**12.71**	12.07	17.30

		2021	2020	2019
Waste				
Total waste	tonnes	**952**	764	1 544
General Waste	tonnes	**363**	204	404
Recyclable Waste	tonnes	**518**	259	824
Hazardous Waste	tonnes	**72**	301	316
Number of significant oil spills		0	0	0

Scope 1: All non-hydrocarbon, direct emissions from BW Offshore facilities when operating under a services agreement. All combustion and direct emissions from offshore assets when they are not operating under a services agreement.
All combustion emissions from 3rd party vessels directly contracted by BW Offshore and not operating under a head services agreement.

Scope 2: All electricity purchased to operate global office locations based on utility metered consumption and emissions factors for location-based accounting according to Carbon Disclosure Project guidelines.

Scope 3: All direct and combustion emissions associated with hydrocarbon reception, processing, storage and offloading arising from a BW Offshore facility when operating under a services agreement.
All air transportation emissions for BW Offshore employees or direct hire contractors required to travel for work activities.

Reporting boundaries for emissions calculations include:
Annual direct emissions (annual calculated estimate)
Plant combustion processes (calculated daily through environmental reporting system)
Gas flaring (calculated daily through environmental reporting system)
Unplanned gas releases (recorded through incident reporting system)
Direct and fugitive emissions (API Compendium estimation methods)
Air travel emissions recorded by 3rd party agent
Global warming potentials taken from IPCC 5th assessment report (2014)
Emissions are limited to FPSO operations and air travel. Project activities are excluded

"–" indicates data not available

Taskforce on Climate-related Financial Disclosures (TCFD)

BW Offshore started preparing disclosure pursuant to the TCFD for the 2020 Annual Report. The Company is now advancing its reporting in anticipation of the enhanced climate-related risk disclosure requirements that are part of EU Regulation expected to be implemented in the coming years.

BW Offshore participates in the global energy supply chain, which is critical to the world economy. The Company is therefore observant of the potential climate-related risks and opportunities that may materialise in the coming decades. This relates to BW Offshore's role in ensuring adequate supply of affordable energy, how climate change will influence the global energy mix, as well as the Company's own climate impact. BW Offshore's business activities are currently primarily within fossil fuels. Therefore, the Company recognises that material financial exposure to the energy transition tied to GHG emissions may develop over time. Moreover, the Company's assets are operated at sea and subject to potential long-term physical risks related to climate change.

GOVERNANCE

The Board of Directors has the ultimate oversight of climate-related risks and opportunities and considers this as part of its strategic agenda. Along with general matters pertaining to sustainability and strategy, climate-related risks and opportunities are reviewed annually by the Board of Directors. In addition, the Board of Directors and Senior Management review fleet-wide environmental performance on a quarterly basis.

To ensure sufficient implementation of the strategy at management level and in the organisation as such, BW Offshore has established an ESG Steering Committee that reports directly to the Board of Directors. The ESG Steering Committee is chaired by the CEO and its role is to define and improve key areas related to sustainability and set them into action, to create a corporate ESG strategy and to inspire the organisation in ESG-related matters. This includes evaluation of climate-related risks and direct measures that can be implemented by the Company.

In addition to the CEO, the ESG Committee consists of senior members of management, including heads of departments from Operational Integrity, Compliance, Human Capital, Supply Chain, Development and Concepts, and Investor Relations. The committee has four fixed annual meetings and ad-hoc meetings as deemed necessary. The committee held four meetings in 2021. The meetings have included the members of the programme management team (PMT). The PMT coordinates and facilitates the sustainability initiatives throughout the BW Offshore organisation (see page 32 in the annual report).

STRATEGY

BW Offshore has started a structured process to identify the most material climate-related risks and opportunities. The ambition is to be able to quantify these factors so that the Company can provide a transparent overview to its stakeholders of important elements related to its strategy going forward.

In this process, BW Offshore is considering several climate scenarios relevant to its business. One scenario that provides adequate granularity for the Company's business is DNV's 'Energy Transition Outlook', which represents DNV's view of 'most likely way forward' when it comes to changing the world's energy supply towards a renewable and climate-neutral future. This scenario, which points to 2.3° global warming by 2100, is then compared to other scenarios that imply a tighter timeline for changes to be implemented, such as IEA's 'Sustainable Development Scenario' and 'DNV's Pathway to Net Zero', pointing towards 1.5° global warming in line with the Paris Agreement. The Company believes it is important to factor in the possibility of a more rapid implementation of net zero commitments and pledges by countries and companies, with a corresponding accelerated roll out of carbon pricing schemes and other regulations that may impact the hydrocarbon sector at an earlier stage. Currently, the lack of available renewable energy sources to replace a faster phase-out of fossil fuels is having a positive impact on the oil and gas sector, as energy prices are increasing. This also makes long-term investments in renewable energy more attractive.

The main differences between these scenarios relate to factors such as:

- Carbon pricing
- CCS technology development and uptake
- Fossil fuel phase-out
- Bioenergy
- Nuclear power

Overall, these scenarios indicate reasonably steady conditions for BW Offshore's current operations in the next 10-15 years. The more transformative changes to global energy supply are, in these scenarios, expected to materialise towards 2040, where fossil fuel supply in the global energy mix is expected to decline in relative and nominal terms, with natural gas a potential exception. In the near term, other transition risks may be more important, such as stigmatisation of the oil and gas sector, which could impact access to and cost of capital – important issues for capital intensive industries, as well as restricting access to qualified personnel.

Physical risks are expected to be manageable in the foreseeable future, although more extreme weather events may potentially impact operational uptime and the cost of insurance.

Access to renewable energy is at the core of the global transition to net zero emissions. Being deeply rooted in offshore energy production, BW Offshore sees significant medium- to long-term opportunities for applying its competencies in developing floating offshore wind projects. Subsequently, this enables opportunities for floating clean fuel production like hydrogen and ammonia, leveraging the combination of FPSO and floating wind competence.

An overview table at the end of this report summarises the initial review of climate-related risks and opportunities. BW Offshore generally considers the potential financial impact as low in the short-term (towards 2025), low to medium in the medium-term (2025-35), and medium to high in the long-term (2035 and onwards).

Opportunity-wise, the short-term impact is considered low, however, value creation potential related to offshore floating wind, as well as an increased share of natural gas production, will start to have meaningful impact in the medium term, with offshore floating wind holding the potential of becoming a material part of future cash flow and asset values longer term.

BW Offshore has already started on a strategic re-direction in line with the above analysis which centres around three pillars (See page 8 in the annual report for more details):

- Growing the core floating production business through new offshore energy infrastructure projects based on clear selection criteria.

This includes a preference for gas projects, providing exposure to an energy source that is increasingly seen as an intermediary mitigator for climate change. The Barossa FPSO contract signed in 2021 is an example of this strategy.

- Accelerate and maximise value extraction from the conventional FPSO fleet, which includes divesting older assets with marginal contracts close to end of the firm period, and assets not considered strong candidates for redeployment. In 2021, one unit was divested for responsible recycling, followed by one more in February 2022. Additionally, one unit was sold for continued operations with new local owners in January 2022. This makes the operations and asset base more resilient towards tougher environmental regulations and reduces residual value risk.

- Building a substantial and growing position in offshore renewable energy infrastructure, led by floating offshore wind by leveraging the Company's abilities within floating energy production. As a result, BW Ideol was established in 2021 and in early 2022 won its first large-scale project to develop a 1GW facility offshore Scotland together with partners. BW Offshore is the majority owner of BW Ideol.

It is BW Offshore's opinion that its strategy has a good resilience towards future climate-related risks. This is also highlighted by the USD 7.7 billion order backlog, which lasts towards 2040, with additional potential for extensions. This backlog is expected to provide cash flow for investments into new and transition supportive business opportunities.

During 2022, BW Offshore aims to widen the analysis of climate-related risks and opportunities and to establish operational parameters to be implemented across the organisation. This includes an ambition to improve quantification of the financial impact of the risks and opportunities.

RISK MANAGEMENT

The Board of Directors, together with the executive management, is responsible for identifying and assessing climate-related risk. While some of the long-term trends have already been identified and are reflected in the strategic repositioning outlined above, BW Offshore intends to use a more thorough analysis of climate-related risks and opportunities to further strengthen the basis for decision-making and strategic prioritisation.

The Operational Integrity (OI) function supports the wider BW Offshore organisation in matters relating to health, safety, security, environmental and quality (HSSEQ). The OI function is therefore essential in establishing the framework for managing all aspects of operational risk and is integral to understand, assess and mitigate future climate-related risks, particularly those relating to physical risks. The OI framework is defined with the BW Offshore Management System, which is certified to the ISM Code for safe operation of ships and pollution prevention, ISO 9001 for quality management and OHSAS 18001 for occupational health and safety management.

METRICS

BW Offshore discloses a set of metrics related to its environmental performance and therefore relevant to climate-related risks. These can be found on page 60.

APPENDIX 1 – OVERVIEW OF CLIMATE-RELATED RISKS

Risk type	Classification	Risk description	Magnitude of financial impact			Mitigation
			Short Term	Medium Term	Long Term	
Physical	Acute	Increased severity and frequency of cyclones and hurricanes leading to disruption of operations and/or damage to assets	Low	Low	Low	Emergency response preparedness, risk management systems and contract terms
	Chronic	Sea level rise, wave heights and marine heat waves	n.a.	Low	Low	Upgrade design of offshore installations to handle severe weather conditions
Transition	Policy and legal	Carbon pricing mechanisms leading to increased costs	Low	n.a.	n.a.	Cost increase to be charged to field operators
		Carbon pricing mechanisms result in lower demand for hydrocarbons	Low	Medium	High	High energy efficient assets
		Restriction on exploration acreage for oil and gas clients	n.a.	Medium	High	
		Regulation of production levels or processes	Low	Medium	High	Minimising emissions from operations
	Technology	Offshore floating wind production is competitive vs oil & gas for energy production	n.a.	n.a.	High	Early investment in offshore floating wind segment
	Market	Reduced demand for hydrocarbons	Low	Medium	High	Clear selection criteria for new offshore oil and gas production projects
		Uncertainty of market signals	Low	n.a.	n.a.	Develop new business in renewable energy segments
	Reputation	Stigmatisation of sector resulting in weaker personnel recruiting and retention	Low	Medium	High	Enter renewable energy market through early investment in offshore floating wind
		Stigmatisation of sector resulting in higher financial costs or lack of capital	Medium	High	High	

APPENDIX 2 – OVERVIEW OF CLIMATE-RELATED OPPORTUNITIES

Type	Classification	Description	Magnitude of financial impact			Mitigation
			Short Term	Medium Term	Long Term	
Resource efficiency	Energy efficiency	More efficient processing plants	Low	Medium	Medium	Divestment of non-core FPSOs
	Recycling	Recycling of onboard energy	Low	Low	Medium	Digitalisation, smart systems
		Recycling of onboard waste materials	Low	Low	Low	Clear KPIs on waste management
Energy sources	Lower emission source	Electricity, stranded gas	Low	Low	Low	CO_2 pricing
	Use of new technologies	Offshore floating wind power	Low	Medium	Medium	Floating wind power to O&G facilities by BW Ideol
Products and services	Low emission services	Offshore gas developments	Medium	High	Medium	Focus on gas markets
	Diversification	Move into offshore floating wind power	Low	High	High	BW Ideol floating wind solutions
		Gas to power units	Low	Medium	Medium	FPP/FSRP solutions to deliver power
		Floating clean fuel production (ammonia/hydrogen)	Low	Medium	High	Product development: NH3 FPSO
Markets	Access to new markets	Respond to clean fuel demand (ammonia/hydrogen)	Low	Medium	High	Green ammonia/hydrogen market development
		Offshore floating wind power	Low	High	High	Development of BW Ideol project pipeline for floating wind
Resilience	Participation in renewables	Own & operate floating clean fuel production (ammonia/hydrogen) assets	Low	Medium	High	Partnerships with ammonia/hydrogen offtakers
		Own & operate offshore floating wind farms	Low	Medium	High	BW Ideol positioning as co-developer of floating wind farms

Consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS

Notes

PARENT COMPANY FINANCIAL STATEMENTS

Notes

Consolidated Statement of Income

USD MILLION (Year ended 31 December)	Note	2021	2020
Revenue	4, 5, 6, 25	829.3	886.3
Operating expenses	7, 9	(378.4)	(348.0)
Other expenses	7	(40.2)	(63.1)
Administrative expenses	7, 9, 25	(8.6)	(39.1)
Impairment loss on trade receivables	12	(0.8)	–
Total expenses		(428.0)	(450.2)
Operating profit before depreciation, amortisation, impairment and sale of assets		401.3	436.1
Depreciation and amortisation	15, 16, 25	(270.0)	(284.0)
Impairment	15, 16	(90.5)	(292.7)
Net gain/ (loss) on sale of tangible fixed assets	15, 16	1.2	–
Operating profit/ (loss)		42.0	(140.6)
Interest income		0.3	0.5
Interest expense		(48.4)	(57.7)
Fair value gain/ (loss) on financial instruments	21	16.0	(44.9)
Net currency gain/ (loss)		8.5	(10.9)
Other financial items	25	(5.0)	(2.7)
Net financial items		(28.6)	(115.7)
Share of profit/ (loss) of equity-accounted investees	17	33.5	(15.7)
Profit/ (loss) before tax		46.9	(272.0)
Income tax benefit/ (expense)	10	15.3	(38.0)
Net profit/ (loss) for the year from continuing operations		62.2	(310.0)

USD MILLION (Year ended 31 December)	Note	2021	2020
Discontinued operation			
Profit/(loss) from discontinued operation, net of tax	5	-	37.7
Net profit/ (loss) for the year		62.2	(272.3)
Net profit/ (loss) for the year attributable to			
Shareholders of the parent		62.6	(282.2)
Non-controlling interests	24	(0.4)	9.9
Net profit/ (loss) for the year		62.2	(272.3)

The notes on pages 73–121 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

USD MILLION (Year ended 31 December)	Note	2021	2020
Profit/ (loss) for the period		62.2	(272.3)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit liability (asset)	9	(0.2)	(0.1)
		(0.2)	(0.1)
Items that are or may be reclassified subsequently to profit or loss:			
Foreign operations – foreign currency translation differences		(6.1)	(2.4)
Equity accounted investees – share of OCI		(7.8)	–
Cash flow hedges – effective portion of changes in fair value	21	(0.4)	–
		(14.3)	(2.4)
Other comprehensive income for the period, net of tax		(14.5)	(2.5)
Total comprehensive income for the period		47.7	(274.8)
Total comprehensive income attributable to			
Shareholders of the parent		50.3	(284.7)
Non-controlling interests		(2.6)	9.9
		47.7	(274.8)

The notes on pages 73–121 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

USD MILLION (As at 31 December)	Note	2021	2020
ASSETS			
Vessels	15	1 836.0	1 893.1
Other property, plant and equipment	15	17.3	4.1
Right-of-use assets	25	19.2	18.5
Intangible assets and goodwill	16	99.7	3.3
Equity-accounted investees	17	210.3	231.6
Finance lease receivables	25	–	12.3
Deferred tax assets	10	62.9	17.3
Derivatives	21	3.2	4.3
Other non-current assets		5.0	1.1
Non-current assets		2 253.6	2 185.6
Inventories	11	25.7	34.5
Trade and other current assets	12	296.7	199.6
Finance lease receivables	25	12.3	23.4
Current tax assets	10	0.7	1.0
Derivatives	21	3.4	3.1
Cash and cash equivalents	13	274.2	139.6
Assets held for sale	14	143.1	–
Current assets		756.1	401.2
Total assets		3 009.7	2 586.8

USD MILLION (As at 31 December)	Note	2021	2020
EQUITY			
Share capital	18	92.5	92.5
Share premium		1 095.5	1 095.5
Other equity	19	(414.5)	(441.5)
Equity attributable to shareholders of the parent		773.5	746.5
Non-controlling interests	24	247.9	198.5
Total equity		1 021.4	945.0
LIABILITIES			
Interest-bearing long-term debt	19, 21	807.4	958.0
Financial liability related to Barossa lease	19, 21	198.1	–
Pension obligations	9	5.2	6.0
Other non-current liabilities	20	380.7	214.1
Long-term lease liabilities	25	8.0	13.7
Derivatives	21	17.6	50.6
Deferred tax liabilities	10	24.2	11.6
Non-current liabilities		1 441.2	1 254.0
Current tax liabilities	10	21.8	21.0
Interest-bearing short-term debt	19, 21	120.2	117.7
Trade and other payables	20	355.5	236.5
Contract liabilities	6	3.7	3.6
Derivatives	21	5.4	2.9
Short-term lease liabilities	25	6.2	6.1
Liabilities held for sale	14	34.3	–
Current liabilities		547.1	387.8
Total equity and liabilities		3 009.7	2 586.8

The notes on pages 73–121 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

USD MILLION	Note	Share capital	Share premium	Treasury share reserve	Currency translation reserve	Hedging reserve	Equity component of convertible bonds	Other elements	Shareholders' equity	Non-controlling interests	Total equity
Equity at 1 January 2020		92.5	1 095.5	(0.3)	(18.8)	–	50.1	(99.4)	1 119.6	338.9	**1 458.5**
Profit/ (loss) for the period		–	–	–	–	–	–	(282.2)	(282.2)	9.9	**(272.3)**
Other comprehensive income		–	–	–	(2.4)	–	–	(0.1)	(2.5)	–	**(2.5)**
Treasury shares acquired	18	–	–	(10.0)	–	–	–	–	(10.0)	–	**(10.0)**
Dividends	18	–	–	–	–	–	–	(18.6)	(18.6)	–	**(18.6)**
Share-based payment	9	–	–	0.1	–	–	–	1.4	1.5	–	**1.5**
Dilutive effect of BW Energy IPO	5	–	–	–	–	–	–	(61.3)	(61.3)	–	**(61.3)**
Dividends to non-controlling interest	24	–	–	–	–	–	–	–	–	(9.9)	**(9.9)**
Transactions with non-controlling interests	24	–	–	–	–	–	–	–	–	(140.4)	**(140.4)**
Total equity at 31 December 2020		92.5	1 095.5	(10.2)	(21.2)	–	50.1	(460.2)	746.5	198.5	**945.0**
Equity at 1 January 2021		92.5	1 095.5	(10.2)	(21.2)	–	50.1	(460.2)	746.5	198.5	**945.0**
Profit/ (loss) for the period		–	–	–	–	–	–	62.6	62.6	(0.4)	**62.2**
Other comprehensive income		–	–	–	(4.0)	(0.4)	–	(7.9)	(12.3)	(2.2)	**(14.5)**
Dividends	18	–	–	–	–	–	–	(25.3)	(25.3)	–	**(25.3)**
Share-based payment	9	–	–	0.1	–	–	–	3.4	3.5	1.0	**4.5**
BW Ideol private placement	23	–	–	–	–	–	–	–	–	80.6	**80.6**
BW Ideol transaction fees	23	–	–	–	–	–	–	(1.5)	(1.5)	(1.2)	**(2.7)**
Dividends to non-controlling interest	24	–	–	–	–	–	–	–	–	(7.9)	**(7.9)**
Transactions with non-controlling interests	24	–	–	–	–	–	–	–	–	(20.5)	**(20.5)**
Total equity at 31 December 2021		92.5	1 095.5	(10.1)	(25.2)	(0.4)	50.1	(428.9)	773.5	247.9	**1 021.4**

The notes on pages 73–121 are an integral part of these consolidated financial statements.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss.

Convertible notes

The reserve for the convertible notes comprises the amount allocated to the equity component for the convertible notes issued by the Group in November 2019.

Treasury share reserve

The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the Group.

Consolidated Statement of Cash Flows

USD MILLION (Year ended 31 December)	Note	2021	2020
Operating activities			
Profit/(loss) before taxes		46.9	(272.0)
Adjustments for:			
Depreciation and amortisation	15, 16, 23	270.0	284.0
Impairment	15	90.5	292.7
Change in fair value of derivatives		(16.0)	(6.1)
Unrealised currency exchange loss/(gain)		(4.0)	10.8
Add back of net interest expense		48.1	58.1
Share of loss/(profit) from equity accounted investments	17	(33.5)	15.7
Loss/ (gain) on disposal of property, plant & equipment	14, 15	(1.2)	–
Share-based payment expense	9	4.5	1.5
Changes in:			
Instalment on financial lease	25	23.3	21.7
Changes in inventories		8.8	18.8
Changes in trade and other current assets		(93.4)	5.0
Changes in trade and other payables		18.4	(26.5)
Changes in other balance sheet items and items related to operating activities		33.6	32.1
Changes in deferred revenues		139.1	(2.0)
Cash generated from operating activities		535.1	433.8
Taxes paid	10	(24.9)	(34.9)
Net effect from discontinued operation	6	–	(11.6)
Net cash flow from operating activities		510.2	387.3

USD MILLION (Year ended 31 December)	Note	2021	2020
Investing activities			
Interest received		0.3	0.5
Dividends received	28	–	0.2
Proceeds from disposal of property, plant & equipment	15, 16	17.6	–
Proceeds from sale of investments	17	65.7	–
Discontinued operation, net of cash disposed off	6	–	(66.3)
Investment in associated companies		(7.7)	–
Effect of cashflows from loss of control	17	(28.7)	–
Acquisition of subsidiary, net of cash acquired	23	(71.6)	–
Acquisition of other investments		(3.2)	–
Investment in property, plant & equipment and intangible assets	15, 16	(295.4)	(84.0)
Net cash flow from investing activities		(323.0)	(149.6)
Financing activities			
Proceeds from loans and borrowings	19	312.9	140.0
Proceeds from share issue in subsidiary	23	61.6	–
Paid dividend and redemption	24	(28.4)	(36.2)
Treasury shares acquired	18	–	(10.0)
Interest paid		(52.3)	(50.6)
Transaction costs relating to share issue		(2.7)	–
Repayment of loans and borrowings	19	(305.0)	(367.0)
Payment of lease liabilities	25	(13.4)	(5.9)
Dividends paid	18	(25.3)	(18.6)
Net cash flow from financing activities		(52.6)	(348.3)
Net change in cash and cash equivalents		134.6	(110.6)
Cash and cash equivalents at beginning of period		139.6	250.2
Cash and cash equivalents at end of period	13	274.2	139.6

The notes on pages 73–121 are an integral part of these consolidated financial statements.

Notes

NOTE 1 Basis of preparation

REPORTING ENTITY

BW Offshore Limited ('BW Offshore' or 'the Company') was incorporated in Bermuda in 2005 and is domiciled in Bermuda with its registered address at Washington Mall Phase 2, 4th Floor, Suite 400, 22 Church Street, Hamilton HM1189, Bermuda.

BW Offshore Limited and its subsidiaries are referred to as the 'Group'. The Group builds, owns and operates FPSOs (Floating, Production, Storage and Offloading vessels). The Group also does strategic investments to capture energy transition opportunities. The Company is listed on Oslo Stock Exchange (OSE).

BASIS OF ACCOUNTING

The consolidated financial statements of the Group have been prepared pursuant to International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'). The consolidated financial statements have been prepared in accordance with the historical cost convention with some exceptions, as detailed in the accounting policies set out below.

The consolidated financial statements were approved by the Board of Directors on 27 February 2022.

Details of the Group's accounting policies, including changes thereto, are included in Note 2.

FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in United States Dollars (USD). This is also the functional currency of the parent company and most of its subsidiaries. The functional currency is determined in each entity in the Group based on the currency within the entity's primary economic environment. All figures are in USD million if not otherwise stated. Because of rounding differences, numbers and or percentages may not add up to the total. Figures in brackets refer to corresponding figures for 2020.

USE OF JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of complying with the Group's accounting policies. The following is a summary of the judgements and estimates made that could have a material effect on the consolidated financial statements.

Depreciation

The level of depreciation depends on the estimated useful life of the different components of the assets and residual value at the end of its useful life. The estimated useful life is based on experience and knowledge of the vessels owned by the Group. Management will have to make assessments as to the expected useful life of the hull and marine scope as well as the process equipment for an FPSO. Assumptions will also have to be made about the expected contract period for non-recoverable components for the assets, which can deviate significantly from the useful life of hull and process equipment.

Assumptions on residual value are based on knowledge of current scrap values which in turn depend on steel prices in the world market and demobilisation costs, together with an expected inflation.

Impairment

The Group reviews periodically whether tangible assets, FPSOs, FPSOs under construction, FPSOs marked for projects, equity accounted investees and goodwill have suffered any impairment in accordance with the accounting policy stated in Note 2.

The recoverable amounts of each vessel, being defined as a cash-generating unit, is the higher of its fair value less cost of disposal and its value in use. Value in use calculations are based on contracted cash flows and estimates of uncontracted cash flows for the useful lives of each vessel, including residual values discounted by an estimated discount rate. Assumptions on uncontracted cash flows are based on several variables, such as comparing the specifications on a particular FPSO with planned new FPSO projects around the world, assessment of investment levels to redeploy the FPSO on a new field and assumptions on rates to be achieved from redeployment. The key assumptions used for the impairment testing of FPSOs are described in Note 15.

All impairment assessment calculations demand a high degree of estimation. Management must make complex assessment of the expected cash flows arising from such assets and the selection of discount rates. Changes to these estimates could have significant impact on the impairments recognised and future changes may lead to reversals of recognised impairments.

The financial forecasts used in the preparation of the goodwill and technology asset impairment test reflects Management's judgement on the probability of realising projects, related revenue and costs and the related Internal Rate of Return (IRR). This judgement is based on present circumstances at the valuation date, as to the most likely set of conditions and the course of action it is most likely to take. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period will almost always differ from the forecasts and as such differences may be material. In addition, floating offshore wind is a new industry with no commercial projects established yet globally, resulting in a high degree of estimation uncertainty related to the identification of prospective projects and chances of acquiring such projects.

Lease classification

When the Group enters into a new or amended lease arrangement, the terms and conditions of the contract are analysed in order to assess whether or not the Group retains the significant risks and rewards of ownership of the asset subject of the lease contract. To identify whether risks and rewards are retained, the Group considers the indicators listed by IFRS 16 on a contract-by-contract basis. By performing such assessment, the Group makes significant judgement to determine whether the arrangement results in a finance lease or an operating lease. This judgement can have a significant effect on the amounts recognised in the consolidated financial statements and its recognition of profits in the future.

Taxation

The Group is subject to income taxes payable to various jurisdictions across the globe. Significant judgement is required in some jurisdictions to determine the provision for income taxes. There are many transactions and calculations for which the final tax determination is uncertain during the ordinary course of business. The Group monitors each issue around uncertain tax treatments across the Group in order to ensure that the Group applies sufficient judgement to the resolution of tax disputes that might arise.

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The income tax liabilities include any penalties and interest that could be associated with a tax audit issue. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will influence the income tax and deferred tax amounts in the period in which such determination is made.

CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Various new standards are effective from 1 January 2021, none of these changes have a material impact on the Group's financial statements.

NOTE 2 Significant accounting policies

BASIS OF CONSOLIDATION

Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity instruments.

Subsidiaries

The subsidiaries are legal entities (including special purpose entities) controlled by the Group. Control is achieved when the Group is exposed or has rights to variable returns from its involvement with a company in which it has invested and has the ability to use its power to affect its returns from this company. Subsidiaries are fully consolidated from the date on which control commences until the date on which control ceases.

Non-controlling interests

Non-controlling interests (NCI) represent the portion of the statement of income and net assets in the subsidiaries not held by the Group, and the amount attributable to the non-controlling interest is shown beneath the statement of income and is included in equity in the statement of financial position. Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the shareholders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has a significant influence, but not control, or has joint control, over the financial and operating policies, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Joint ventures are joint arrangements in which the parties that share control have rights to the net assets of the arrangement.

Joint arrangements, which are arrangements of which the Group has joint control together with one or more parties, are classified into joint ventures and joint operations. Joint operations are joint arrangements in which the parties that share joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Interests in associates and joint ventures are accounted for using the equity method.

The interests include goodwill and excess values identified as per the date of acquisition, net of any accumulated impairment loss. Any excess values that are to be amortised are deducted from the profit pursuant to the same principles as for consolidated companies. Goodwill is not amortised. The balance sheet value of associates and joint ventures represents the original cost price (equalling the fair value at the time of purchase) plus profit accumulated up to the present, less any amortisation of excess values and accumulated dividends received.

Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised gains on transactions between the Group and its associated companies and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures.

FOREIGN CURRENCY

Foreign currency transactions

Transactions in foreign currency are translated to functional currency using the exchange rate at the date of the transaction. At the end of each reporting period foreign currency monetary items are translated using the closing rate, non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction and non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

However, foreign currency differences arising from qualifying cash flow hedges to the extent that the hedges are effective, are recognised in OCI.

Foreign operations

The assets and liabilities of entities whose functional currencies are other than USD, are translated into USD at the exchange rates at the balance sheet date. The revenues and expenses of such entities are translated into USD using the monthly average exchange rates.

Exchange differences are recognised in OCI and accumulated in the currency translation reserve in other equity, except to the extent that the translation difference is allocated to NCI.

Upon disposal of a foreign subsidiary, or when a loss of control, significant influence or joint control is lost, the accumulated exchange differences related to investments accumulated in shareholders' equity are reclassified to the consolidated statement of income.

If the Group disposes of parts of its interests in a subsidiary but retains control, the proportionate share of the accumulated exchange differences is allocated to non-controlling interests. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

DISCONTINUED OPERATION

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographic area of operations,
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations, or
- Is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is presented as if the operation had been discounted from the start of the comparative year.

REVENUES

The Group's revenues derive from chartering of FPSOs, rendering of operational services related to FPSOs and engineering and management services.

Revenue from contracts with customers

Revenue from contracts with customers is recognised upon satisfaction of the performance obligations for the transfer of services in each such contract. A performance obligation is satisfied when or as the customer obtains the goods or services delivered. It is recognised at an amount that reflects the consideration which the Group expects to receive in exchange for those goods or services. Revenues are presented net of indirect sales taxes. The Group's performance obligations are to operate and lease out FPSOs.

Operational services

Income from the rendering of operational services related to FPSOs and other services is recognised as revenue over time in the period when the services are rendered.

Variable consideration

Some of the contracts contain variable elements like production incentive-, KPI- and maintenance bonuses. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled. The variable consideration is only recognised when its highly probable that it would not be subject to significant reversal in the future.

FEED (Front-End Engineering Design)

A FEED study is a preliminary step taken before basic engineering level work and is undertaken to confirm the technical and economic feasibility of a prospective oil field development. Income from FEED contracts is recognised as revenue from contracts with customers if control transfers to the customer.

Lease revenue

Chartering of vessels

Revenue from chartering of FPSOs is based on whether the contract is considered an operating lease or a finance lease.

Operating lease

Leases, in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments received under operating leases are recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. The lease term period for each lease contract is the non-cancellable period for which the lessee has contracted the asset together with an assessment of any further terms that the lessee has the option to continue the lease, when Management considers it reasonably certain that the lessee will exercise the option. As lease rates can vary over the lease term, this implies that there might be significant timing differences between cash flow and recognised revenue from a particular lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract. Contingent rental income is recognised as revenue in the period in which it is earned.

Finance lease

Leases in which substantially all of the risks and rewards of ownership are transferred to the lessee are classified as finance leases. Assets held pursuant to a finance lease are presented in the balance sheet as a receivable at an amount equal to the net investment in the lease. The recognition of finance income on the receivable is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease. During the construction phase of the asset, the contract is treated like a construction contract.

Interest income arising from a finance lease, is recognised on a time proportion basis applying the effective interest method. Interest income arising from a finance lease is classified as part of operational income while other interest income is classified as finance income.

Government grants

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

EMPLOYEE BENEFITS

Defined benefit plans

The Group has unfunded defined benefit pension plans. Unfunded schemes are financed through the Group's operations.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans equals the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries applying the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds denominated in the currency in which the benefits will be paid and at terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding debit or credit to the retained earnings through OCI in the period in which they occur.

Defined contribution plans

In addition to the defined benefit plan described above, the Group has contributed to other pension plans. The pension premiums are charged to expenses as they are incurred. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Share-based payment

The grant date fair value of equity settled share-based payment arrangements granted to employees is recognised as an employee benefits expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

TAXES

The Company is not subject to any income taxes in Bermuda, but the Company and its subsidiaries may be subject to income tax in the countries in which they operate. The Group provides for tax on profit based on the profit for financial reporting purposes, adjusted for non-taxable revenue and expenses.

Income tax expense represents the sum of tax currently payable, changes in deferred tax liabilities and deferred tax assets, and withholding tax on charter hire and financial items. Charter hire and financial items are presented gross including withholding taxes payable where applicable.

Deferred tax liabilities / tax assets are calculated on all differences between the book value and tax value of assets and liabilities, except for:

- Differences linked to goodwill which are not tax deductible.
- Differences related to investments in subsidiaries, associates or joint ventures when the Group controls when the temporary differences are to be reversed and this is not expected to take place in the foreseeable future.

Deferred tax assets are recognised when it is probable that the company will have a sufficient profit for tax purposes in subsequent periods to utilise the tax asset. The companies recognise previously unrecognised deferred tax assets to the extent it has become probable that the company can utilise the deferred tax asset. Similarly, the company will reduce a deferred tax asset to the extent that the company no longer regards it as probable that it can utilise the deferred tax asset.

Deferred tax assets and liabilities are recognised when assets with temporary differences are acquired through business combinations.

Deferred tax liabilities and deferred tax assets are measured on the basis of the expected future tax rates applicable to the companies in the Group where temporary differences exist.

Deferred tax assets and deferred tax liabilities are recognised at their nominal value and classified as non-current asset investments (long-term liabilities) in the balance sheet.

Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

INVENTORIES

Inventories are valued at the lower of cost or net realisable value. Cost of materials and other consumables is based on the weighted average cost method and cost of fuel oil is based on the 'first-in, first-out' allocation method. The cost of inventories comprises the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services.

PROPERTY, PLANT AND EQUIPMENT (PP&E)

Measurement

PP&E are recognised at cost and subsequently measured at cost less accumulated depreciation and impairment charges. This includes costs of material, direct labour and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management, including attributable overheads and estimate of costs of demobilising the asset.

Borrowing costs directly attributable to an acquisition or construction of vessels, which take a substantial period to get ready for their intended use, are added to the cost of the asset until the assets are ready for their intended use. Borrowing cost consists of interest and other cost, which the entity incurs in connection with the borrowing of funds.

Subsequent costs are included in the asset's carrying amount, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation

Depreciation will start when an item of PP&E is ready for use as intended by Management. For FPSOs this will be when the unit is successfully installed on the oil field.

When significant parts of an item of PP&E have different useful lives, those components are accounted for as separate items of PP&E. The different components are depreciated by using a straight-line method over their expected useful life, taking into account the residual value.

The estimated useful lives of the categories of PP&E are as follows:

FPSOs:
- Hull and Marine scope, including associated investments like refurbishment: 15–25 years.
- Field-specific equipment and associated investment costs which are incurred for a specific project, e.g. installation costs and transport costs: 3–25 years.
- Process equipment and associated investment. (In case of long-term contracts these items can be fully depreciated over the contract duration.): 10–25 years.

Other PP&Es, like IT equipment, office equipment, technical installation and cars: 3–10 years.

The assets' useful life and residual values are reviewed, and if necessary adjusted, at each reporting date.

Disposal activities

Gains and losses that result from the disposal of vessels, vehicles and equipment are recorded in a separate line in the consolidated statement of income.

Impairment

Assets including vessels, vessels under construction, conversion candidates and other PP&Es, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount that the asset's carrying amount exceeds its recoverable amount, being the higher of an asset's net selling price and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separate identifiable cash flows (cash-generating units). Each FPSO is identified as a cash-generating unit.

At the end of each reporting period the Group will assess whether there is any indication that an impairment recognised in previous periods may no longer exist or may have decreased. If any such indication exists, the Group will estimate the recoverable amount of the asset. If the recoverable amount is higher than the carrying amount of the asset, the carrying amount of the asset will be increased to its recoverable amount. The increase shall not exceed the carrying amount that would have been determined if no impairment loss had been recognised in previous periods. Previously recognised impairments should be reversed if there are significant changes with a favourable effect in the indicators.

INTANGIBLE ASSETS AND GOODWILL

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units (CGUs) for the purpose of the annual impairment testing.

Technology

Technology acquired in a business combination is recognised at fair value at the acquisition date when intangible assets criteria are met and amortised on a straight-line basis over the useful life of fifteen years.

Research and development

Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Capitalised development costs are amortised over the period of expected future benefit, usually five years.

Computer software

Software licences are capitalised based on the cost incurred when acquiring and bringing to use the specific software. These costs are amortised over the estimated useful life of the software. Costs directly associated with the development of identifiable and unique software products controlled by the Group, estimated to generate economic benefits exceeding the cost beyond one year, are recognised as intangible assets. Other development expenditures are recognised as an expense when incurred.

ASSETS HELD FOR SALE

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

Assets and liabilities classified as held-for-sale are presented separately as current items in the statement of financial position.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The Group's financial assets are derivatives, trade and financial lease receivables and cash and cash equivalents.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Except for trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

The Group classifies its financial assets in two categories:
- Financial assets at amortised cost.
- Financial assets at fair value through profit or loss (FVTPL).

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statement of income when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade and other receivables, finance lease and other non-current assets. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 – Revenue from contracts with customers.

Financial assets at fair value through profit or loss

Derivatives at fair value are carried in the statement of financial position at fair value with net changes in fair value through profit or loss. The category includes foreign exchange contracts and interest rate swaps.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:
- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either
  a. the Group has transferred substantially all the risks and rewards of the asset, or
  b. the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

For trade and other receivables, finance lease and other non-current assets, the Group applies a simplified approach in calculating Estimated Credit Losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date, based on its historical credit loss experience.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when the Group has no reasonable expectations of recovering the contractual cash flows. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. This assessment is based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Financial liabilities

Financial liabilities are classified as measured at amortised cost except for financial liabilities at fair value through profit of loss (FVTPL). Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the consolidated statement of income, as well as any gain or loss on derecognition.

Derivatives are financial liabilities when the fair value is negative, accounted for similarly as derivatives as assets.

Derecognition of financial liabilities

The Group has applied the derecognition requirement in IFRS 9 – Financial Instruments prospectively to transactions occurring on or after the transition date, but not retrospectively to financial liabilities already derecognised prior to the transition date.

Under IFRS, the amortised cost of a modified financial liability, in which the terms of the financial liability are not determined to be substantially modified, is recalculated as the present value of the estimated future contractual cash flows, discounted at the original effective interest rate. The resulting gains or losses are recognised in profit or loss.

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. Derivatives are initially measured at fair value.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised. For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and short-term deposits with an original maturity of three months or less. Restricted cash related to withholding tax from employees is included as cash and cash equivalents.

SHARE CAPITAL

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in the equity as a deduction, net of tax, from the proceeds.

Treasury shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a reduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

Preference shares

Preference shares in subsidiaries are presented as shareholders' equity. For the Group, this is presented as non-controlling interest and the result, equivalent to the preference dividend, is presented as the non-controlling interests share of the result regardless of whether dividends have been paid or accumulated.

COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments issued by the Group comprise convertible bonds denominated in USD, that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised as the difference between the fair value of the compound financial instrument and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in the consolidated statement of income. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

CLASSIFICATION OF ASSETS AND LIABILITIES

Assets for long-term ownership or use are classified as non-current assets. Other assets are classified as current assets. Liabilities which fall due more than one year after being incurred are classified as non-current liabilities, except for next year's instalment on long-term debt. This is presented as current interest-bearing debt. Liabilities which fall due less than one year after they are incurred are classified as current liabilities.

PROVISIONS AND CONTINGENT ASSETS AND LIABILITIES

Provisions are recognised when the Group has a legal or constructive obligation resulting from past events, when it is likely that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Contingent liabilities are not recognised in the annual accounts. Significant contingent liabilities are disclosed, except for contingent liabilities that are unlikely to be incurred.

Contingent assets are not recognised in the annual accounts but are disclosed if the probability that the benefit will be added to the Group is more likely than not.

LEASES

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract transfers the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases except for short-term leases and leases of low value. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The Group has elected to not separate non-lease components and account for the lease and the non-lease components as a single lease component.

Right-of-use assets

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease. This is the date the underlying asset is available for use.

Right-of-use assets are measured at cost and depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. In calculating the present value, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the consolidated statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

The Group determines its incremental borrowing rate by obtaining interest rates from the external bank financing.

Short-term leases and leases of low value

The Group applies the short-term lease recognition exemption to its short-term leases. A short-term lease is a lease that has a lease term of 12 months or less from the commencement date. It also applies the low-value exemption to leases of office equipment that are considered to be low value. Lease payments for these leases are recognised as an expense on a straight-line basis over the lease term.

The Group as a lessor

When the Group acts as a lessor, it assesses whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease. If not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset, including the existence and terms of any extension or purchase options.

NOTE 3 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new and amended standards in preparing these consolidated financial statements. The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to Conceptual Framework (Amendments to IFRS 3)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

NOTE 4 Operating segments

Following the establishment of BW Ideol AS in March 2021, the Group's activities are construction, lease and operation of FPSOs as well as offshore floating wind. Up until 17 February 2020, the Group's activities also included upstream E&P activities, which were partially divested upon the IPO of BW Energy Limited which is currently presented as an investment under the equity method.

The Group identifies segments on the basis of those components of the Group that are regularly reviewed by the chief operating decision-maker ('CODM'). The Group identified its Top Management as the CODM, reference to Note 9 for definition of Top Management. The reported measure of segment profit is net operating profit (EBIT). Deferred tax assets, pension assets and non-current financial assets are not allocated to the segments. Operating segment disclosures are consistent with the information reviewed by the CODM.

Segment performance for 2021 and 2020 is presented below:

2021

USD MILLION	FPSO	Floating wind	Eliminations	Total
Revenues	775.2	2.7	-	**777.9**
Other revenue	49.8	1.6	-	**51.4**
Revenues inter-segment	0.2	-	(0.2)	**-**
Total revenues	825.2	4.3	(0.2)	**829.3**
Operating expenses	(405.2)	(14.4)	0.2	**(419.4)**
General and administrative expenses	(8.6)	-	-	**(8.6)**
Operating profit before depreciation, amortisation, impairment and sale of assets	411.4	(10.1)	-	**401.3**
Depreciation, amortisation and impairment	(350.2)	(10.3)	-	**(360.5)**
Profit/(loss) sale of fixed assets	1.2	-	-	**1.2**
Operating profit/(loss)	62.4	(20.4)	-	**42.0**
Capital expenditure	417.2	10.4	-	**427.6**
Balance sheet information				
Equity-accounted investees	210.3	-	-	**210.3**
Non-current segment assets	1 840.5	114.8	-	**1 955.3**
Non-current assets, not allocated to segments				**88.0**
Total non-current assets				**2 253.6**

2020

USD MILLION	FPSO	E&P (discontinued)[1]	Eliminations	Total
Revenues	870.6	-	0.8	**871.4**
Other revenue	15.7	5.1	(0.9)	**19.9**
Revenues inter-segment	-	-	(14.1)	**(14.1)**
Total revenues	886.3	5.1	(14.2)	**877.2**
Operating expenses	(405.2)	(1.2)	0.5	**(405.9)**
General and administrative expenses	(45.0)	-	9.8	**(35.2)**
Operating profit before depreciation, amortisation, impairment and sale of assets	436.1	3.9	(3.9)	**436.1**
Depreciation, amortisation and impairment	(576.7)	(4.7)	0.5	**(580.9)**
Operating profit/(loss)	(140.6)	(0.8)	(3.4)	**(144.8)**
Capital expenditure	42.7	30.2	-	**72.9**
Balance sheet information				
Equity-accounted investees	231.6	-	-	**231.6**
Non-current segment assets	1 910.8	-	-	**1 910.8**
Non-current assets, not allocated to segments				**43.2**
Total non-current assets				**2 185.6**

[1] The E&P segment includes the period 1 January 2020 – 16 February 2020.

Reconciliation of reportable segment operating profit or loss

	2020
Operating profit/(loss) for reportable segments	(144.8)
Elimination of discontinued operation	4.2
Operating profit/(loss)	(140.6)

Reconciliation of reportable segment revenues

	2020
Revenues for reportable segments	877.2
Elimination of discontinued operation	9.1
Revenues	886.3

GEOGRAPHIC INFORMATION

Revenue

For the FPSO segment, the classification of revenue per region is determined by the final destination of the FPSO, while the classification in the floating wind segment is based on the geographic location of the customers.

USD MILLION	2021	2020
Americas	177.2	223.2
Europe/Africa	531.8	572.1
Asia and the Pacific	120.3	91.0
Total revenues from continuing operations	829.3	886.3
Europe/Africa	-	(9.1)
Total revenues from discontinued operation	-	(9.1)

USD 4.3 million of revenues in the Europe/Africa region is related to the floating wind segment. Revenues in the other regions are related to the FPSO segment. In 2020, USD million 5.1 of revenues in the Europe/Africa region was related to the E&P segment.

Non-current assets

Non-current assets exclude deferred tax assets, derivatives, equity accounted investees and other non-current assets.

USD MILLION	2021	2020
Americas	340.5	435.8
Europe/Africa	1 240.2	1 332.3
Asia and the Pacific	391.5	150.9
	1 972.2	1 919.0

MAJOR CUSTOMER

The Group has a limited number of customers (see also section regarding credit risk in Note 21). In accordance with IFRS 8.34, the Group has evaluated whether any single customers amount to 10 per cent or more of the total revenue.

In 2021, the Group has identified two such customers. For these, the revenue was USD 383.4 million related to the FPSO segment. In 2020, the Group identified two such customers. For these, the revenue was USD 374.5 million related to the FPSO segment.

NOTE 5 Discontinued operation

BW Offshore completed the IPO of BW Energy Limited in February 2020. Following the IPO, BW Offshore's ownership in BW Energy Limited was reduced from 68.6 per cent to 38.8 per cent. Considering a loss of control, the BW Energy Group was no longer consolidated as part of the Group from 17 February 2020. The retained interest is classified as an equity-accounted investee that is initially recognised at its fair value and subsequently measured using the equity method. Further reference is made to Note 17 Equity-accounted investees.

Subsequent to the disposal, the Group has continued transactions with the BW Energy Group, primarily a lease and operating contract for the FPSO Adolo as well as back-office support.

Although intra-group transactions have been fully eliminated in the consolidated statement of income, the Group has elected to attribute the elimination of transactions between the continuing operations and the discontinued operation before the disposal in a way that reflects the continuance of these transactions subsequent to the disposal, because the Group believes this is useful to the users of the financial statements.

To achieve this presentation, the Group has eliminated the inter-segment sales (and costs, less unrealised profits) from the results of the discontinued operation made before its disposal. Because sale to the discontinued operation will continue after the disposal, inter-segment sale made to the continuing operations before the disposal are retained in continuing operations.

RESULTS FROM DISCONTINUED OPERATION

USD MILLION	2020
Revenue	5.1
Elimination of inter-segment revenue	(14.2)
External revenue	(9.1)
Operating expenses	(1.2)
Elimination of inter-segment expenses	10.3
External expenses	9.1
Operating profit /(loss) before depreciation/amortisation	-
Depreciation	(4.2)
Gain/(loss) sale of assets	-
Operating profit/(loss)	(4.2)
Interest income	0.2
Other financial items	0.2
Net financial income/(expense)	0.4
Profit/(loss) before tax	(3.8)
Income tax expense	(3.8)
Profit/(loss) from operating activities	(7.6)
Gain on sale of discontinued operation	45.3
Profit/(loss) from discontinued operation for the period	37.7
Earnings per share	
Basic earnings/(loss) per share in USD net	0.20
Diluted earnings/(loss) per share USD net	0.20

CASH FLOWS FROM/(USED IN) DISCONTINUED OPERATION

USD MILLION	2020
Net cash flow from/(used in) operating activities	47.4
Net cash flow from/(used in) investing activities	(30.0)
Net cash flow from/(used in) financing activities[1]	86.1
Net cash flow for the period	103.5

[1] 2020 numbers includes IPO effect.

NOTE 6 Revenue

REVENUE STREAMS

The Group generates revenue primarily from rendering of services on operating FPSOs and chartering of FPSOs to its customers. The Group recognises most of its revenue over time.

USD MILLION	2021	Continuing operations 2020	Discontinued operation 2020	Total 2020
Revenue from contracts with customers	305.9	346.7	(7.5)	339.2
Leasing revenue	472.0	523.9	(5.8)	518.1
Other revenue	51.4	15.7	4.2	19.9
Total revenue	829.3	886.3	(9.1)	877.2

During the normal course of business, the Group is involved in legal and other proceedings which are unresolved and outstanding. We have accounted for such claims and litigations based on the Group's best judgement. In 2021, the Group recognised USD 2.4 million in 'other revenue' related to a settlement reached with Petrobras pertaining to the P-63 EPC contract for which no receivable was previously recognised.

In November 2020, the Group reached an agreement with New Zealand Government for a fully funded disconnection of FPSO Umuroa which was located on the Tui oil field offshore New Zealand. The Group presents this income as 'other revenue' in the statement of profit or loss.

In 2021, the Norwegian Shipowners´ Mutual War Risks Insurance Association, Den Norske Krigsforsikring for Skib (DNK) returned USD 7.5 million, net of 25 per cent withholding tax, of previous paid insurance. This is presented as 'other revenue' in the statement of profit or loss.

CONTRACT BALANCES

The following table provides information about receivables and contract assets and liabilities.

USD MILLION	31 Dec 2021	31 Dec 2020
Receivables included in trade and other current assets	188.8	103.5
Contract assets included in trade and other current assets	48.9	45.4
Contract liabilities – current	3.7	3.6

The majority of the Group's contracts consist of a lease for the FPSO as well as an operating agreement. The Group assessed the underlying risk profile to be equal.

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date.

The contract liabilities primarily relate to advance consideration received from customers. USD 3.6 million (USD 1.9 million) recognised in contract liabilities in the beginning of the period has been recognised as revenue during 2021.

The remaining unsatisfied performance obligations to be recognised as revenues from contracts with customers over the remaining contract period is USD 1 837.9 million (USD 999.8 million).

NOTE 7 Operating, administrative and other expenses

The table below sets out expenses by nature for items included in operating expenses, other expenses and administrative expenses.

USD MILLION	2021	2020
Employee benefit expenses (Note 9)	184.6	200.8
Vessel operating expenses	220.6	172.1
Other expenses	22.0	77.3
Total operating expenses	427.2	450.2

NOTE 8 Earnings per share

BASIC EARNINGS PER SHARE

The calculation of basic EPS has been based on the following profit attributable to ordinary shareholders and the weighted–average number of ordinary shares outstanding.

Profit/(loss) attributable to ordinary shareholders (basic)

	2021			2020		
USD MILLION	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total
Profit/(loss) attributable to ordinary shareholders	62.6	–	62.6	(319.9)	37.7	(282.2)

Weighted-average number of ordinary shares (basic)

IN THOUSAND	2021	2020
Issued ordinary shares at 1 January	184 956	184 956
Effect of treasury shares held	(4 141)	(4 156)
Weighted–average number of ordinary shares at 31 December	180 815	180 800

DILUTED EARNINGS PER SHARE

The calculation of diluted EPS has been based on the following profit attributable to ordinary shareholders and weighted–average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

Profit/(loss) attributable to ordinary shareholders (diluted)

	2021			2020		
USD MILLION	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total
Profit/(loss) attributable to ordinary shareholders	62.6	–	62.6	(319.9)	37.7	(282.2)
Interest expense on convertible notes	9.3	–	9.3	8.7	–	8.7
Profit/(loss) attributable to ordinary shareholders (diluted)	71.9	–	71.9	(311.2)	37.7	(273.5)

Weighted-average number of ordinary shares (diluted)

IN THOUSAND	2021	2020
Weighted–average number of ordinary shares (basic)	180 815	180 800
Effect of conversion of convertible bonds	34 275	32 671
Weighted–average number of ordinary shares (diluted) at 31 December	215 090	213 471

EARNINGS PER SHARE

USD MILLION	2021	2020
Basic earnings / (loss) per share net	0.35	(1.56)
Diluted earnings / (loss) per share net	0.33	(1.56)

EARNINGS PER SHARE – CONTINUING OPERATIONS

USD MILLION	2021	2020
Basic earnings / (loss) per share net	0.35	(1.77)
Diluted earnings / (loss) per share net	0.33	(1.77)

NOTE 9 Employee benefit expenses, remuneration to directors and auditors

EMPLOYEE BENEFIT EXPENSES

USD MILLION	2021	2020
Wages, crew	108.4	117.0
Wages, administrative personnel	58.4	72.1
Social security contributions	7.8	4.9
Expenses related to defined contribution scheme	5.4	4.7
Expenses related to defined benefit scheme	0.2	0.7
Share-based payment	4.4	1.4
Total employee benefit expenses	184.6	200.8
Average number of employees	1 908	2 030

TOP MANAGEMENT[1] REMUNERATION

(IN USD)	Salary	Bonus	Pension benefits	Share options	Other benefits	Number of shares
2021	2 734 465	44 441	63 834	954 295	21 350	430 518
2020	2 923 748	1 245 124	65 933	544 438	5 733	470 115

[1] At 31 December 2021 Top Management comprises Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Commercial Officer and General Counsel.

Loans

Part of Top Management received a loan in 2016 in NOK on arm's-length basis.
The Group has not provided any loans to affiliates.

(IN USD)	2021	2020
Loans to Top Management	22 744	46 632

Severance

Top Management has agreements that give them the right to compensation after termination of employment before retirement that equals 100 per cent of the salary for a maximum of 18 months. Compensation received from other employers during this period reduces this compensation, but not below 25 per cent of the compensation. There are no similar agreements with the members of the Board of Directors.

Long-term incentive programme

The Group had a long-term incentive programme for C-suite Management (CFO, COO and CCO) and Head of Projects. The programme intended to reward performance over a three-year period. Pay-out under the long-term incentive programme was based on targets achieved within three parameters:

1. Company results – 1/3
2. Project performance – 1/3
3. Total shareholder return – 1/3

The long-term incentive programme was discontinued in 2019 and the last deferred payments were completed in 2021.

BOARD OF DIRECTORS' REMUNERATION

(IN USD) Year	Directors' fee	Number of shares	Share options
2021	**336 792**	**91 729 229**	**-**
2020	454 544	92 809 229	-

The compensation for members of the Board of Directors for the period May 2021 to May 2022 will be decided at the annual general meeting in May 2022.

EMPLOYEE REMUNERATION

Variable Compensation Scheme

The Variable Compensation Scheme (VCS) is a system for rewarding employees if and when the Group reaches set goals, based on financial parameters. The VCS might differ from year to year depending on the challenges and goals set by the Group, and the financial factors that influence the Group's performance. The VCS for the performance year 2021 is based on the following parameters:

1. Overall company results
2. Health, Safety, Environment and Safety (HSEQ) performance

The assessment of the Group's achievement will determine the pay-out of the VCS. The Board of Directors will exercise its discretion to determine appropriate compensation levels.

Full pay-out is capped at three months' salary for all employees, with the exception of a higher cap of six months for the Senior Management Team. Individual assessment may be added to the general pay-out. Employees need to be employed at the time of VCS payment to be eligible for VCS scheme benefits.

Long-term share option programme

In 2019, the Board approved to establish a long-term share option programme (LTIP) where key personnel were granted options to purchase shares in the Company. The programme is approved for 5 years, with annual grants, each grant corresponding to 1 per cent of the total outstanding shares in the Company. The first grant was in 2019, with the last grant planned for 2023. The programme is discretionary, and participants are invited on an annual basis. The purpose of the programme is to further align the interests of the Group and its shareholders by providing incentives to employees to motivate them to contribute materially to the success and long-term profitability of the Group.

The key terms and conditions related to the grants under these programmes are as follows; all options are to be settled by physical delivery of shares.

Grant date	Number of instruments	Vesting conditions	Contractual life of options
On 8 April 2019	1 732 000	Vesting period of three years, followed by a three years exercise period	6 years
On 6 March 2020	1 832 250	Same as above	6 years
On 26 February 2021	1 849 600	Same as above	6 years
Total share options	5 413 850		

Each option will give the holder the right to acquire one BW Offshore share. In 2021, a total of 60 (59) BW Offshore key employees were invited to participate in the programme.

The strike price of the options is calculated based on the volume weighted average share price five trading days prior to grant date, plus a premium of 15.76 per cent which is corresponding to a 5 per cent increase annually over 3 years.

The Company's exposure relating to the 2019 award is hedged by a Total Return Swap (TRS) agreement with financial exposure to 1 732 000 shares in BW Offshore. The options are non-tradable and conditional upon the option holder being employed by the Company and not having resigned or being terminated for cause prior to the vesting date.

Measurement of fair values

The fair value of the employee share options has been measured using the Black-Scholes formula. The inputs used in the measurement of the fair value at grant date were as follows.

	2021	2020
Fair value at grant date (NOK)	14.47	5.41
Share price at grant date (NOK)	35.24	33.12
Exercise price (NOK)	42.38	41.88
Expected volatility (weighted average)	60%	30%
Expected life	4 years	4 years
Expected dividends	n/a	n/a
Risk-free interest rate (based on government bonds)	0.81%	0.73%

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price particularly over the historical period equal to the expected term, adjusted for extreme movements. The expected term of the instruments has been based on historical experience and general option holder behaviour.

Reconciliation of outstanding share options

The number and weighted-average exercise prices of share options under the share option programmes were as follows:

	2021		2020	
	Number of options	Weighted-average exercise price (NOK)	Number of options	Weighted-average exercise price (NOK)
Outstanding at 1 January	3 564 250	44.77	1 732 000	54.69
Terminated during the year	(285 825)	42.23	-	-
Granted during the year	1 849 600	41.49	1 832 250	41.88
Outstanding at 31 December	5 128 025	42.89	3 564 250	44.77
Exercisable at 31 December	-	n/a	-	n/a

Expense recognised in profit or loss

For details of the related employee benefit expenses, see the employee benefit expenses table.

Loans to other employees

(IN USD)	2021	2020
Loans to other employees	692 155	341 568

AUDITORS' REMUNERATION

USD '000	2021	2020
Statutory audit	1 157.6	936.9
Other attest services	45.3	26.2
Tax-related services	27.2	20.9
Other services	47.3	-
Total fees	1 277.4	984.0

KPMG is the appointed auditor of the Group.

Increase in statutory audit compared to 2020 relates to increased scope due to acquisition of BW Ideol and the Barossa project.

RETIREMENT BENEFIT PLANS

The Group has unfunded defined benefit plans for national employees in Indonesia and France and for early retirement in Norway. During 2021, the funded defined benefit plans for Norwegian crew were discontinued.

The reconciliation of fair value of plan assets is as follows:

USD MILLION	2021	2020
Fair value of plan assets - beginning of year	2.6	2.8
Expected return on plan assets	-	0.1
Benefits paid - funded plans	(0.1)	(0.2)
Asset gain/(loss)	(2.6)	(0.1)
Exchange differences	0.1	-
Fair value of plan assets - end of year	-	2.6

The amounts recognised in the statement of financial position are determined as follows:

USD MILLION	2021	2020
Present value of funded obligations	–	(2.6)
Fair value of plan assets	–	2.6
Present value of unfunded obligations	(5.2)	(6.0)
Net liability/asset in the statements of financial position	(5.2)	(6.0)
Of which classified as pension obligations	(5.2)	(6.0)
Of which classified as pension assets	–	–

The amounts recognised in the statement of income are determined as follows:

USD MILLION	2021	2020
Current service cost	0.1	0.6
Net interest	0.1	0.1
Net periodic pension cost	0.2	0.7

Best estimate of net pension cost for 2022 amounts to USD 0.3 million (USD 0.7 million).

The movement in the net liability/asset recognised in the statement of financial position is as follows:

USD MILLION	2021	2020
At 1 January	(6.0)	(5.1)
Pension paid	0.2	–
Exchange differences	0.2	(0.1)
Re-measurement gain/(loss) in other comprehensive income	(0.2)	(0.1)
Reclassified to liabilities held for sale	0.8	–
Charged to statement of income	(0.2)	(0.7)
At 31 December	(5.2)	(6.0)

The Group has defined contribution plans in all locations where the Group has employees.

NOTE 10 Income taxes

The income tax expenses for the period comprise corporate income tax, withholding tax and deferred tax.

BW Offshore Limited is a company registered in Bermuda. Currently, the Company is not required to pay taxes in Bermuda on ordinary income or capital gains.

Depending on the jurisdiction, corporate income tax is due on the subsidiary's actual profits, and withholding tax is levied on a deemed profit basis or revenue basis (simplified calculation in lieu of profits tax). Deferred tax is calculated on temporary differences in jurisdictions where actual profits are the basis for taxation. Where the Group's activities are subject to withholding taxes, these are normally deducted by the customer who pays the taxes directly to the local tax authorities in the name of the Group.

The Group's operational activities are subject to taxation rates which range from 0 per cent to 35 per cent.

As the Group's operations are subject to different methods of taxation, income tax expenses will not necessarily change proportionally with changes in the overall net profit before tax. As a consequence of this, a reduction in net profit will often lead to a higher effective tax rate, while an increase in net profit can lead to a reduction in the effective tax rate.

TAX EXPENSE FOR THE YEAR

USD MILLION	2021	2020
Deferred tax effect of changes in temporary differences	(59.8)	(0.4)
Taxes payable current year	42.2	32.2
Taxes payable prior years	(2.7)	2.5
Withholding taxes	5.0	3.7
Total tax expense continuing operations recognised in statement of income	(15.3)	38.0

EFFECTIVE TAX RATE

USD MILLION	2021	2020
Net result before tax	46.9	(272.0)
Effect on permanent differences	7.6	5.7
Income tax at Bermuda statutory income tax rate of 0%	–	–
Withholding taxes	5.0	3.7
Taxes payable current year, non-Bermuda jurisdictions	42.2	32.2
Taxes payable prior years, non-Bermuda jurisdictions	(2.7)	2.5
Deferred tax effect of changes in temporary differences	(59.8)	(0.4)
Total income tax expense continuing operations at the effective income tax rate	(15.3)	38.0
Effective tax rate	n/a	n/a

TAX LIABILITIES

USD MILLION	2021	2020
Tax payable at 31 December	21.8	21.0

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income becomes taxable.

Deferred tax liabilities and deferred tax assets are specified as follows:

USD MILLION	2021	2020
Deferred tax assets		
Vessels	–	8.2
Losses and unabsorbed capital allowances	61.9	7.9
Other	1.0	1.2
Deferred tax assets – gross	62.9	17.3
Deferred tax liabilities		
Unpaid / Unremitted foreign interest income	(0.6)	(0.6)
Vessels	(9.4)	(11.0)
Other	(14.2)	–
Deferred tax liabilities – gross	(24.2)	(11.6)
Net recognised deferred tax assets / (deferred tax liabilities)	38.7	5.7

The Group has tax losses carried forward in Australia as a result of a previous operation linked to the acquisition of Prosafe Production. This tax loss has previously not been capitalised in the consolidated statement of financial position, as the Group has had no operation in Australia in recent years. With the signing of the Barossa contract in 2021, it is probable that this tax loss can be utilised and consequently a deferred tax asset of USD 60.7 million was recognised in 2021.

Net recognised deferred tax assets are expected to be recovered or settled after more than 12 months.

The Group also has tax losses carried forward in several jurisdictions which are not recognised. The losses carried forward are USD 492.1 million (USD 492.6 million). These losses are not recognised as it is not possible to predict with reasonable certainty whether adequate taxable profit will be available in the future against which losses can be utilised. None of these will expire in 2022. Some of the tax losses have no expiry date. Note 27, Contingent assets and liabilities, provides information about tax audits and uncertainty of tax treatments.

NOTE 11 Inventories

USD MILLION	2021	2020
Fuel oil	1.2	1.8
Materials and consumables	24.5	32.7
Inventories at 31 December	25.7	34.5

In 2021, inventories were reduced by USD 5.0 million due to reclassification of inventory value on units held for sale.

NOTE 12 Trade and other current assets

USD MILLION	2021	2020
Trade receivables	188.8	103.5
Contract assets	48.9	45.4
Other receivables	28.3	33.8
Prepayments	30.7	16.9
Trade and other current assets	296.7	199.6

Trade receivables are shown net of a provision for expected losses of USD 19.6 million (USD 18.9 million) of which USD 13 million is relating to the Umuroa contract (reference to Note 27).

The fair value of trade and other current assets is the same as the carrying amount.

The ageing analysis of trade receivables is as follows:

USD MILLION	2021	2020
Not past due	143.6	78.3
Up to 3 months	23.4	21.4
3–6 months	18.7	3.8
6–12 months	3.1	–
12 > months	–	–
Trade receivables – net	188.8	103.5

As of 31 December 2021 and 2020, the expected credit loss for the Group related to customers was immaterial.

The ageing of provision for impairment loss is as follows:

USD MILLION	2021	2020
Up to 3 months	–	–
More than 3 months	19.6	18.9
Total	19.6	18.9

The carrying amount of the Group’s trade and other receivables are mainly denominated in USD.

Movement in allowance for impairment in respect of trade receivables are as follows:

USD MILLION	2021	2020
Balance at 1 January	18.9	19.3
Net remeasurement of loss allowance	0.7	(0.4)
Balance at 31 December	19.6	18.9

Expected credit loss for other classes within trade and other receivables are immaterial.
Credit risk and foreign exchange risk regarding trade receivables are described in Note 21.

NOTE 13 Cash and cash equivalents

Cash and cash equivalents are denominated primarily in USD, SGD, BRL, EUR, GBP, NGN and NOK. Restricted bank deposits at 31 December 2021 amounted to USD 7.5 million (USD 6.5 million). This relates to taxes withheld from employees and the Total Return Swap related to the long-term share option programme, reference to Note 9.

NOTE 14 Assets and liabilities held for sale

Assets and liabilities held for sale at 31 December 2021 comprised the following:

USD MILLION	
Vessels	117.2
Inventories	5.0
Trade and other current assets	14.6
Cash and cash equivalents	6.3
Assets held for sale	143.1

USD MILLION	
Pension obligations	0.8
Trade and other payables	28.1
Current tax liabilities	5.4
Liabilities held for sale	34.3

NOTE 15 Property, plant and equipment

VESSELS AND OTHER PROPERTY, PLANT AND EQUIPMENT

The owned fleet at 31 December 2021 included the following vessels: Abo FPSO, BW Adolo, BW Athena, BW Catcher, BW Cidade de São Vicente, BW Joko Tole, BW Pioneer, BW Opportunity, Espoir Ivoirien, Petróleo Nautipa, FPSO Polvo, Sendje Berge, Umuroa and Yùum K'ak' Náab. Vessels BW Joko Tole, BW Cidade de São Vicente and FPSO Polvo are classified as held-for-sale as of 31 December 2021.

Vessels available for projects include vessels that are currently not in operation. BW Athena and Umuroa are in lay-up and the Group is currently evaluating recycling options.

In April 2021, the Group completed the sale of Berge Helene for environmentally safe demolition and recycling in compliance with the Hong Kong Convention at Priya Blue shipyard in India. The vessel was sold for a cash consideration of USD 16 million.

In November 2021, the Group signed a one-year contract extension for Sendje Berge.

In January 2022, the Group signed a contract extension for ABO to the end of 2022.

BW Opportunity is in lay-up and undergoing certain repairs. The contract with Petrobras was terminated in 2020 and a full and final settlement of USD 43 million was paid in 2021. The amount has previously been provided for so there was no impact on the income statement for 2021. This vessel is included in, 'Vessels available for projects', on 31 December 2021 in the table opposite.

Yùum K'ak' Náab (reference to Note 25) is accounted for as a finance lease and is not included in the table opposite.

FPSOs' capital expenditure in 2021 was mainly related to investments in the Barossa FPSO. The Barossa lease contract is assessed to be an operating lease. The contract has a firm period of 15 years plus 10 years of options. BW Offshore will be responsible for engineering, procurement, construction, installation and operation of the FPSO.

FPSOs' capital expenditure in 2020 was mainly related to capital expenditures for ongoing life extension activities. Most life extension activities are on either a reimbursable cost-plus basis or covered through higher day rates.

The level of depreciation depends on the estimated useful life of the different components of the vessels and the residual value at the end of useful life. The estimated useful life used for depreciations is based on experience and knowledge of the vessels owned by the Group.

2021 USD MILLION	Vessels in operation	Vessels under construction	Vessels available for projects	Other property, plant & equipment	Total
Cost at 1 January 2021	4 373.6	9.0	1 116.3	35.5	**5 534.4**
Additions	39.3	365.7	11.1	4.0	**420.1**
Additions from business combinations	-	-	-	16.9	**16.9**
Disposal	-	-	(260.4)	(0.2)	**(260.6)**
Exchange differences	-	-	-	(0.9)	**(0.9)**
Reclassification to held-for-sale	(593.2)	-	(291.9)	-	**(885.1)**
Cost at 31 December 2021	3 819.7	374.7	575.1	55.3	**4 824.8**
Accumulated depreciation and impairment charge at 1 January 2021	(2 610.3)	-	(995.5)	(31.4)	**(3 637.2)**
Current year depreciation	(245.5)	-	(5.6)	(6.9)	**(258.0)**
Disposal	-	-	245.0	0.2	**245.2**
Impairment	(79.8)	-	(9.7)	-	**(89.5)**
Exchange differences	-	-	-	0.1	**0.1**
Reclassification to held-for-sale	488.8	-	279.1	-	**767.9**
Accumulated depreciation and impairment charge at 31 December 2021	(2 446.8)	-	(486.7)	(38.0)	**(2 971.5)**
Book Value at 31 December 2021	1 372.9	374.7	88.4	17.3	**1 853.3**
Useful life	Up to 25 years				
Capitalised interest cost for vessels under construction		1.5			

2020 USD MILLION	Vessels in operation	Vessels under construction	Vessels available for projects	Other property, plant & equipment	Total
Cost at 1 January 2020	4 683.7	–	742.5	35.4	**5 461.6**
Additions	20.7	9.0	7.2	0.9	**37.8**
Disposal	–	–	–	(0.1)	**(0.1)**
Discontinued operation	35.8	–	–	(0.4)	**35.4**
Exchange differences	–	–	–	(0.3)	**(0.3)**
Reclassification	(366.6)	–	366.6	–	**–**
Cost at 31 December 2020	4 373.6	9.0	1 116.3	35.5	**5 534.4**
Accumulated depreciation and impairment charge at 1 January 2020	(2 489.6)	–	(559.5)	(19.4)	**(3 068.5)**
Current year depreciation	(255.9)	–	(19.3)	(1.3)	**(276.5)**
Disposal	–	–	–	0.1	**0.1**
Discontinued operation	–	–	–	0.1	**0.1**
Impairment	(131.0)	–	(150.5)	(11.2)	**(292.7)**
Exchange differences	–	–	–	0.3	**0.3**
Reclassification	266.2	–	(266.2)	–	**–**
Accumulated depreciation and impairment charge at 31 December 2020	(2 610.3)	–	(995.5)	(31.4)	**(3 637.2)**
Book Value at 31 December 2020	1 763.3	9.0	120.8	4.1	**1 897.2**
Useful life	Up to 25 years				

The Group has performed an impairment trigger assessment thereby considering, amongst others, the impact of the Covid-19 pandemic and the outlook for each vessel including the effects of climate change and associated energy transition. The Group further considered the remaining fixed contract period, option clauses in the contracts and commerciality of the various fields on which the vessels operate.

The Group considers the probability of redeployment of more mature FPSOs after the end of current contracts to be low. Due to economics of keeping mature assets in a safe operating condition the Group also considers it challenging to extend contracts on certain FPSOs beyond their current contracts. This assessment has triggered an impairment test to be performed. The impairment test considered whether the recoverable amount, using a value-in-use model, on individual vessels was higher than the net book value.

Impairment charges were recognised in 2021 on BW Athena (USD 2.0 million), Espoir Ivoirien (USD 21.4 million), Berge Helene (USD 4.2 million), Sendje Berge (USD 15.7 million), Joko Tole (USD 23.8 million), Petróleo Nautipa (USD 19.9 million) and Umuroa (USD 7.6 million). As BW Cidade de São Vicente will be sold for recycling in 2022 for USD 12.3 million, which is higher than current NBV, this led to a reversal of previous impairment of USD 4.2 million in 2021. The Group consequently recorded a net impairment loss of USD 90.5 million on the FPSO fleet.

Each vessel is regarded as a cash-generating unit for impairment testing. The recoverable amount is based on a value-in-use calculation for each of the vessels in the fleet. To estimate the recoverable amount, the Group has to make assumptions on contracted net cash flows as well as uncontracted cash flows over the useful life for each vessel. Uncontracted cash flows have been estimated based on experience, expectations on future market conditions and return on invested capital. The assumptions made are built into different scenarios with different cash flows for each unit. The Group expects an improved market as a result of recovery in the oil price where it is expected that it will be possible to extend contracts for certain units already in operation as well as more likely to achieve redeployment of units that are currently idle. Each of the scenarios are weighted to provide for a recoverable amount for each unit that is a weighted average of all scenarios. Scenarios will also include a weighted probability that a unit cannot be redeployed beyond current contract and will have to be recycled.

Cash flows were discounted at a rate of 8.0 per cent (8.0 per cent) on a post-tax basis. The use of a post-tax discount rate does not result in a different determination of the need for, or the amount of, impairment (reversal) that would be required if a pre-tax discount rate had been used. The discount rate is based on Weighted Average Cost of Capital (WACC) for the Group. The following assumptions have been made for the WACC:

- The equity risk premium is based on empirical data of similar listed companies and is in consensus with the market risk premium observed from the study performed by the Norwegian Society of Financial Analysts. The Group has also included a small cap premium in setting the overall equity risk premium.
- The equity ratio is based on long-term assumptions on the Group's financial strategy and capital structure, as well as peer group balance sheet data for listed oil service companies.
- For the risk-free rate, the Group is using the US 10-year treasury yields as the basis for calculations, based on a weighted average contract length of the FPSO fleet.
- The debt margin used is based on an assessment of the cost of providing long-term funding given the current market outlook and current company risk profile and contract structure.
- For estimating beta, the Group has employed various regression models and peer averages to reach a metric of future equity risk for the FPSO segment and BW Offshore.
- Due to the structure of the Group's operations, there is very little effect on the WACC when adding debt, as most of the Group's taxes are based on withholding tax deducted at source. The Group has therefore assumed that effect from tax in calculating WACC is zero.

The critical assumptions for impairment are the discount rate, assumptions used for cash flows and weight given to each of the scenarios. The recoverable amount for each vessel would be sensitive to changes for any of the above-mentioned assumptions.

An increase of the WACC for the Group by 1 per cent would require an additional impairment of USD 0.5 million.

The Group makes assumptions on the redeployment of vessels after the contemplated end of current contract. An additional one-year before redeployment of vessels in the weighted scenarios would not lead to an additional impairment.

A further rate reduction of 10 per cent from the weighted scenario on the same vessels would not lead to an additional impairment.

The Group did perform an impairment assessment of the fleet for 2020. This assessment led to a USD 281.5 million impairment loss recorded to write down BW Athena (USD 36.1 million), BW Cidade de São Vicente (USD 104.8 million), Espoir Ivoirien (USD 34.9 million), Berge Helene (USD 71.6 million), FPSO Polvo (USD 17.0 million) and Umuroa (USD 17.1 million) to the recoverable amount.

E&P TANGIBLE ASSETS

E&P assets capital expenditure in 2020 relates mainly to the phase II development of Dussafu oil field in Gabon in the period 1 January to 17 February, prior to the IPO and deconsolidation of BW Energy. E&P assets under development are not depreciated.

2020 USD MILLION	E&P assets under development	E&P production assets	Total
Cost at 1 January 2020	88.2	183.7	**271.9**
Additions	23.0	–	**23.0**
Discontinued operation	(111.2)	(183.7)	**(294.9)**
Cost at 31 December 2020	–	–	**–**
Accumulated depreciation at 1 January 2020	–	(55.8)	**(55.8)**
Current year depreciation	–	(0.9)	**(0.9)**
Discontinued operation	–	56.7	**56.7**
Accumulated depreciation at 31 December 2020	–	–	**–**
Book value at 31 December 2020	–	–	**–**
Useful life		Unit-of-production	

NOTE 16 Intangible assets and goodwill

2021 USD MILLION	Software	R&D	Technology	Goodwill	Total intangible assets
Cost at 1 January 2021	20.6	–	–	–	**20.6**
Additions	0.2	0.3	–	–	**0.5**
Additions from business combinations	0.1	4.6	71.2	30.0	**105.9**
Exchange differences	–	(0.3)	(3.2)	(1.3)	**(4.8)**
Carrying amount at 31 December 2021	20.9	4.6	68.0	28.7	**122.2**
					–
Amortisation and impairment at 1 January 2021	(17.3)	–	–	–	**(17.3)**
Current year amortisation	(1.5)	(0.1)	(3.7)	–	**(5.3)**
Exchange differences	–	–	0.1	–	**0.1**
At 31 December 2021	(18.8)	(0.1)	(3.6)	–	**(22.5)**
					–
Net book value at 31 December 2021	2.1	4.5	64.4	28.7	**99.7**
Useful life	1-3 years	5 years	15 years		
Amortisation method	linear	linear	linear		

Goodwill, Technology and R&D were initially recognised in March 2021 as part of the acquisition of Ideol SA (reference to Note 23). R&D assets represent the accumulated capitalised development projects. BW Ideol is pursuing a number of initiatives around its Damping Pool® patented foundation technology including research and development of innovative building materials, mooring systems and construction methods.

Goodwill has an indefinite useful life and is tested for impairment at least annually.

Goodwill was tested for impairment as of 31 December 2021 and the impairment test also included technology assets. A discounted cash flow model was used to determine the fair value less cost of disposal for the CGU. The projected cash flows were based on the most up-to-date forecast by Management, which includes probability weighted cash flows for prospective offshore wind projects using end-of-life cash flows for projects identified. The impairment calculation demonstrated that the value-in-use exceeded the carrying amount of the CGU, thus no impairment loss was recognised.

KEY ASSUMPTIONS USED IN THE IMPAIRMENT CALCULATION INCLUDE:

Cash flows, project IRR, price of electricity

For the co-development activity, cash flows related to the estimated projects in portfolio include: (i) development expenses, including expenses related to engineering services provided by BW Ideol to each project during this phase, (ii) capital expenditures during construction phase, including royalties derived from BW Ideol's technology licensing, (iii) wind farm operating expenses and (iv) reimbursement of project finance debt. The tariff applied to the electricity sold is being determined by using a target IRR estimated at the start of the construction phase and takes into account the target financial structure and expenses profiles. For the co-EPCI activity, cash flows related to potential EPCI contracts include engineering services during the development phase, gross profit from procurement and construction and royalties derived from licensing the technology to each project.

Discount rate and Sectorial WACC

Based on the cumulated cashflows, the implied discount rate at the time of the acquisition has been established at 6.4 per cent and revised up to 6.7 per cent during the impairment test.

In order to assess the relevance of the implied discount rate-based approach to valuation, it was determined a sectorial post-tax Weighted Average Cost of Capital (WACC) derived from the Capital Asset Pricing Model (CAPM) methodology and incremental borrowing rate, assuming cash flows in Euro. A selected sample of comparable companies active in the renewable power sector was established. The WACC is based on a risk-free rate in 2021 of 0.0 per cent based on S&P capital IQ data, and a market risk premium of 8.0 per cent. The estimated unlevered beta for equity was 0.57. The equity to total capital ratio was 65 per cent in Ideol Group. This resulted in a post-tax WACC of 5.4 per cent. The targeted Discount Rate of 6.7 per cent being used as part of the impairment test reflects a risk premium of 1.3 per cent compared to the sectorial WACC, notably reflecting the riskier nature of the floating wind business and the inherent risk to the pipeline of projects under development.

Testing procedures of the Group's single CGU related Goodwill as of 31 December 2021 are conducted to meet IFRS requirements, and especially IAS 36. In compliance with IAS 36, the Group's recoverable value was based on the estimation of its value in use derived from a discounted cash flow approach and is equivalent to BW Ideol's Enterprise Value as of 31 December 2021. To determine the recoverable value of assets, the value in use derived from future cash flows was considered. Net probabilities have been updated to reflect current evolutions for projects and the discount rate was revised up to 6.7 per cent.

SENSITIVITIES

Prospective capacity

In the impairment test it was assumed the Group to secure 10.7GW within the next 10 years based on 17 targeted prospects or anticipated licensing rounds. A sensitivity whereby the overall capacity would be reduced by 1.2GW (approximately 10 per cent), by taking out a targeted prospect with a start-up in 2031, would not result in an impairment to be recognised.

Discount rate

The impairment assessment is sensitive to changes in the discount rate. A 0.5 per cent increase in the discount rate would result in a full impairment of goodwill and technology assets.

Internal rate of return

In the impairment assessment, the Group assumed a certain return on investment by setting an internal rate of return in the range of 5.6 per cent to 11.3 per cent resulting in an estimated EBITDA. A decrease in the estimated EBITDA by 0.5 per cent would result in an impairment charge of USD 19.9 million.

2020

USD MILLION	Software	E&P intangible assets	Total intangible assets
Cost at 1 January 2020	20.2	97.4	117.6
Additions	0.4	7.2	7.6
Discontinued operation	–	(104.6)	(104.6)
Carrying amount at 31 December 2020	20.6	–	20.6
Amortisation and impairment at 1 January 2020	(15.7)	(0.8)	(16.5)
Discontinued operation	–	0.8	0.8
Current year amortisation	(1.6)	–	(1.6)
At 31 December 2020	(17.3)	–	(17.3)
Net book value at 31 December 2020	3.3	–	3.3
Useful life	1–3 years		
Amortisation method	linear		

NOTE 17 Equity-accounted investees

USD MILLION	2021	2020
Interest in joint ventures	10.1	0.4
Interest in associates	200.2	231.2
Balance at 31 December	210.3	231.6

Equity-accounted investees relates mainly to the investment in BW Energy Limited (BWE).

On 21 January 2021, BWE completed a USD 75 million private placement and allocated and issued 23 690 000 new shares at a subscription price of NOK 27 per share, raising gross proceeds of NOK 639 640 000. The Group was not allocated shares in the private placement, consequently the ownership interest in BWE diluted by 3.56 per cent to 35.21 per cent.

On 29 October 2021, the Group sold 20 000 000 shares in BWE, representing approximately 7.8 per cent of the outstanding shares, at NOK 28 per share. The share sale generated USD 65.7 million in gross proceeds, and a gain of USD 14.9 million. Following the sale, the Group holds 70 840 553 shares in BWE, representing 27.5 per cent of the shares outstanding in BWE.

The following table illustrates the summarised financial information of the Group's investment in BWE. The information for 2020 presented in the table includes results of BWE for the period 17 February 2020 to 31 December 2020 when BWE was no longer a consolidated subsidiary. Refer to Note 5, Discontinued operation, for further information.

USD MILLION	2021	2020
Percentage ownership interest	27.5%	38.8%
Non-current assets	727.5	576.2
Current assets	230.1	183.6
Non-current liabilities	285.1	248.3
Current liabilities	103.2	68.3
Net assets (100%)	569.3	443.2
Group's share of net assets	156.3	171.8
Excess value	34.0	50.1
Carrying amount of interest in associate	190.3	221.9
Revenue	271.5	160.3
Profit for the year (100%)	52.1	(41.2)
Total comprehensive income for the year[1]	15.3	(16.0)
Gain sale of shares	14.9	–
Gain dilution	5.5	–
Discontinued operation	–	2.3
Depreciation of excess value	(1.6)	(2.2)
Group's share of total comprehensive income for the year	34.1	(15.9)

[1] Adjusted for change in owned share during 2021

Up until September 2021, BW Offshore AUS-JV Pte. Ltd. was a wholly owned subsidiary. In October 2021, a joint venture was established with external investors. The shareholders agreements between the Group and the external investors resulted in the Group and the external investors having joint control over this company. The Group's interest in BW Offshore AUS-JV Pte. Ltd. is consequently accounted for using the equity method in the consolidated financial statements.

Considering the loss of control, BW Offshore AUS-JV Pte. Ltd. was no longer consolidated as part of the Group from October 2021.

Refer to Note 10 for information about deferred tax asset, Note 21 for information about lending agreements and Note 26 for information about guarantees.

Summarised financial information of the joint venture and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below.

USD MILLION	2021	2020
Percentage ownership interest	51.0%	–
Non-current assets	198.1	–
Current assets (including cash and cash equivalents USD 45.7)	90.3	–
Non-current financial liabilities (including long-term borrowing USD 183.9)	199.3	–
Current liabilities	70.3	–
Net assets (100%)	18.8	–
Group's share of net assets	9.6	–
Carrying amount of interest in joint venture	9.6	–
Interest expense	(4.5)	–
Profit for the year (100%)	(5.9)	–
Total comprehensive income for the year	(3.0)	–
Effect from loss of control	1.6	–
Group's share of total comprehensive income for the year	(1.4)	–

The Group also has interests in two individually immaterial associates.

For OCS Services Limited, the Group owns 50 per cent, but does not have joint control over this investment. The partner is in charge of the daily operation of the company while the Group act as an investment partner. The Group does not have power over more than half of the voting rights in OCS. Further, the Group does not have the power to cast the majority of votes at meetings of the Board of Directors or equivalent governing body. As the Group is only acting as an investment partner, OCS is considered an associate. The Group's interest in OCS is accounted for using the equity method in the consolidated financial statements.

The following table analyses the carrying amount and share of profit and OCI of these associates.

USD MILLION	2021	2020
Carrying amount of interests in associates	9.9	9.3
Share of:		
Profit	0.6	–
OCI	–	–

NOTE 18 Capital and reserves

SHARE CAPITAL

Authorised share capital:

At 1 January 2021:	214 000 000 ordinary shares at par value USD 0.50 each
At 31 December 2021:	214 000 000 ordinary shares at par value USD 0.50 each

Issued and fully paid	USD THOUSAND
At 1 January 2021	92 478.2
At 31 December 2021	92 478.2

HEDGING RESERVE

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss.

CONVERTIBLE NOTES

The reserve for the convertible notes comprises the amount allocated to the equity component for the convertible notes issued by the Group in November 2019.

TREASURY SHARE RESERVE

The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the Group. At 31 December 2021, the Group held 4 141 437 of the Company's shares (4 156 534). Book value of the treasury shares was USD 10.1 million at 31 December 2021 (USD 10.2 million).

DIVIDENDS

The following dividends were declared and paid by the Company for the year.

USD MILLION	2021
Fourth quarter 2020: USD 0.035 per qualifying ordinary share	6.3
First, second and third quarter: USD 0.035 per qualifying ordinary share	19.0
	25.3

USD MILLION	2020
First and second quarter: USD 0.034 per qualifying ordinary share	12.3
Third quarter: USD 0.035 per qualifying ordinary share	6.3
	18.6

Refer to 'Shareholder information' section for information on the 20 largest shareholders at 31 December 2021.

Refer to Note 24, Non-controlling interests, for information on preferred dividends.

NOTE 19 Loans and borrowings

USD MILLION	Effective interest rate	Maturity date	Carrying amount 2021	Carrying amount 2020
USD 672.5 million Corporate Facility	3 month LIBOR + 2.25%	16-May-24	178.1	221.5
Convertible bonds	2.50%	12-Nov-24	264.5	254.5
Catcher facility	3 month LIBOR + 2.25%	15-Jul-24	256.4	369.8
Other facilities	2.20%	30-Jun-26	6.4	-
Petróleo Nautipa facility	3 month LIBOR + 1.70%	14-Sep-22	-	8.0
BWO05 – NOK 900 million Bond	3 month NIBOR + 4.50%	04-Dec-23	102.0	104.2
Total long-term debt			807.4	958.0

USD MILLION	Effective interest rate	Maturity date	Carrying amount 2021	Carrying amount 2020
USD 672.5 million Corporate Facility	3 month LIBOR + 2.25%	16-May-24	(1.8)	(2.3)
Convertible bonds	2.50%	12-Nov-24	(0.6)	(0.6)
Catcher facility	3 month LIBOR + 2.25%	15-Jul-24	113.4	113.0
Other facilities	2.40%	30-Jun-26	1.6	-
Petróleo Nautipa facility	3 month LIBOR + 1.70%	14-Sep-22	8.0	8.0
BWO05 – NOK 900 million Bond	3 month NIBOR + 4.50%	04-Dec-23	(0.4)	(0.4)
Total short-term debt			120.2	117.7
Total interest-bearing debt			927.6	1 075.7

Refer to Note 21 ,Financial instruments – Fair values and risk management, for information on Barossa finance liability.

The financial liability related to Barossa lease has a carrying amount of USD 198.1 million and implicit interest of 7.87 per cent at 31 December 2021.

The Group is in compliance with all covenants at 31 December 2021. Covenants are calculated and reported on consolidated financials.

USD 672.5 MILLION CORPORATE FACILITY

During the second quarter of 2019, the Group refinanced the previous USD 2 400 million facility into a five-year senior secured USD 672.5 million revolving credit facility. The facility is priced at a margin of 225 basis points above USD LIBOR and if utilisation exceeds 50 per cent, the margin increases by another 25 basis points. The facility is reduced semi-annually. The Group had USD 154.8 million undrawn under the revolving credit facility at 31 December 2021.

The USD 672.5 million Corporate Facility is subject to certain covenants, including minimum book equity of at least 25 per cent of total assets, debt to EBITDA of maximum 5.5, minimum USD 75 million available liquidity including undrawn amounts and interest coverage ratio of minimum 3.0.

CATCHER USD 800 MILLION FACILITY

During the third quarter of 2014, the Group entered into a USD 800 million senior secured pre- and post-delivery term loan facility, which is a project-specific bank financing in relation to construction of an FPSO to operate on the Catcher oil field facility, which is a project-specific in the UK North Sea. The facility has a margin of 225 basis points above USD LIBOR and is subject to financial covenants similar to the covenants under the USD 672.5 million Corporate Facility.

PETRÓLEO NAUTIPA USD 80 MILLION FACILITY

During the first quarter of 2015, the Group entered into a USD 80 million senior secured loan facility in respect of the FPSO Petróleo Nautipa. The loan has a tenor of 7.5 years and will be used for general corporate purposes. The facility is subject to financial covenants similar to the covenants under the USD 672.5 million Corporate Facility.

BWO05 – NOK 900 MILLION BOND

During the fourth quarter 2019, BW Offshore Limited successfully completed the placement of a NOK 900 million senior unsecured bond with maturity date on 4 December 2023. The proceeds from the bond loan were used to partly repay existing bond loans. The bond loan is subject to certain covenants, including minimum book equity of at least 25 per cent of total assets and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Group.

OTHER FACILITIES

Other facilities comprise interest-bearing debt in BW Ideol Group. All debt is in EUR.

CONVERTIBLE BONDS

During the fourth quarter 2019, BW Offshore Limited issued a USD 297.4 million convertible bond with a five-year tenor and coupon of 2.50 per cent per annum, payable semi-annually in arrears. The convertible bond has no regular repayments and matures in full on 12 November 2024. There are no financial covenants in the convertible bond agreement. The proceeds from the convertible bond loan were used to refinance the existing bond loans and for general corporate purposes. The initial conversion price of USD 10.24 corresponds to a conversion premium of 37.5 per cent over the volume weighted average price of the shares on the Oslo Stock Exchange at 5 November 2019 (converted at the prevailing USD:NOK spot rate equal to NOK 9.1921 / USD 1.00).

USD MILLION	
Proceeds from issue of convertible bonds	297.4
Transaction costs	(3.8)
Net proceeds	293.6
Amount classified as equity (net of transaction costs of USD 0.7 million)	(50.1)
Accreted interest	19.1
Expensed capitalised borrowing costs	1.3
Carrying amount of liability at 31 December 2021	263.9

The conversion price is subject to adjustment for dividends paid and other changes affecting the value of the share.

During 2021, the quarterly dividends resulted in adjustments to the initial conversion rate.

	Distribution declared per share	Conversion price
First quarter, 2021	0.035	8.95
Second quarter, 2021[1]	0.035	8.95
Third quarter, 2021	0.035	8.78
Fourth quarter, 2021	0.035	8.68

[1] No adjustment

	Distribution declared per share	Conversion price
First quarter, 2020[1]		9.27
Second quarter, 2020[2]	0.034	9.27
Third quarter, 2020	0.034	9.10
Fourth quarter, 2020[2]	0.035	9.10

[1] Distribution of BW Energy shares
[2] No adjustment

RECONCILIATION OF MOVEMENTS OF LIABILITIES AND EQUITY TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Interest payable	Other liabilities	Liabilities		Equity	Total
USD MILLION			Interest-bearing short-term debt	Interest-bearing long-term debt[1]		
Balance at 1 January 2021			117.7	958.0	945.0	
Proceeds from loans and borrowings	–	–	–	312.9	–	**312.9**
Repayment of borrowings	–	–	–	(305.0)	–	**(305.0)**
Proceeds from share issue	–	–	–	–	61.6	**61.6**
Transactions cost relating to share issue	–	–	–	–	(2.7)	**(2.7)**
Transferred to/from non-controlling interests	–	–	–	–	(28.4)	**(28.4)**
Payment of lease liabilities	–	(13.4)	–	–	–	**(13.4)**
Dividends paid	–	–	–	–	(25.3)	**(25.3)**
Interest paid	(52.3)	–	–	–	–	**(52.3)**
Total changes from financing cash flows	(52.3)	(13.4)	–	7.9	5.2	**(52.6)**
Effects of changes in foreign exchange rate and interest rate swaps			–	(0.5)	–	**(0.5)**
Liability-related:						
Expensed capitalised borrowing costs			0.8	3.4	–	**4.2**
Accreted interest			–	9.3	–	**9.3**
From business combinations			2.6	6.2	–	**8.8**
Non-cash movements			(0.9)	21.2	–	**20.3**
Total liability-related other changes			2.5	40.1	–	**42.6**
Total equity-related other changes			–	–	55.7	**55.7**
Balance at 31 December 2021			120.2	1 005.5	1 005.9	

1 Inclusive finance liability relating to Barossa lease

USD MILLION	Interest payable	Other liabilities	Liabilities: Interest-bearing short-term debt	Liabilities: Interest-bearing long-term debt	Equity	Total
Balance at 1 January 2020			221.1	1 025.7	1 458.5	
Proceeds from loans and borrowings	–	–	–	140.0	–	**140.0**
Repayment of borrowings	–	–	(141.1)	(225.9)	–	**(367.0)**
Transferred to/from non-controlling interests	–	–	–	–	(36.2)	**(36.2)**
Payment of lease liabilities	–	(5.9)	–	–	–	**(5.9)**
Dividends paid	–	–	–	–	(18.6)	**(18.6)**
Treasury shares acquired	–	–	–	–	(10.0)	**(10.0)**
Interest paid	(50.6)	–	–	–	–	**(50.6)**
Total changes from financing cash flows	(50.6)	(5.9)	(141.1)	(85.9)	(64.8)	**(348.3)**
Effects of changes in foreign exchange rate and interest rate swaps			41.0	2.3	–	**43.3**
Liability-related:						
Expensed capitalised borrowing costs			0.4	3.6	–	**4.0**
Accreted interest			–	8.6	–	**8.6**
Non-cash movements			(3.7)	3.7	–	**–**
Total liability-related other changes			(3.3)	15.9	–	**12.6**
Total equity-related other changes			–	–	(448.7)	**(448.7)**
Balance at 31 December 2020			117.7	958.0	945.0	

NOTE 20 Trade, other payables and other non-current liabilities

USD MILLION	2021	2020
Trade payables	108.9	24.7
Accrued vessel expenses	47.6	46.8
Accrued other expenses	41.4	65.2
Accrued construction expenses	81.4	–
Public duties payables	14.6	13.2
Deferred revenues	61.6	86.6
Total trade and other payables	355.5	236.5

USD MILLION	2021	2020
Deferred revenues	371.7	207.5
Long-term deposit	–	5.7
Other long-term liabilities	9.0	0.9
Total other non-current liabilities	380.7	214.1

Accrued other expenses in 2021 includes accruals for demobilisation of Petróleo Nautipa. Management did not previously recognise a liability considering that the lessee should pay a fixed amount for the demobilisation. The Group has provided for the excess amount in 2021.

Deferred revenues primarily relate to the advance consideration received from customers for which revenue is recognised over time, mainly over the remaining contract period.

NOTE 21 Financial instruments – fair values and risk management

The Group's finance department has the responsibility for financing, treasury management and financial risk management.

FINANCIAL RISK FACTORS

Activities expose the Group to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. A finance management team led by the Chief Financial Officer identifies and evaluates financial risks in close co-operation with the Group's operating units. The finance management team's activities are governed by policies approved by the Board of Directors for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, and investing excess liquidity. The finance management team will report to the Group's Top Management, the Audit Committee and the Board of Directors of the status of activities on a regular basis.

During 2021, the Group has seen an accelerated energy transition and that capital is being reallocated from hydrocarbons towards electrification and clean fuels. The effect is an increasing cost of capital for the oil and gas sector. However, the Group has been successful in financing projects by keeping an open dialogue on ESG performance with key lenders and partners. The Group is committed to contributing to the energy transition by developing clean energy production solutions, applying its offshore engineering and operations capabilities to drive future value creation.

The Group does not use financial instruments, including financial derivatives, for trading purposes.

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holding of financial instruments. The Group has international operations and therefore a combination of natural and financial hedging. The Group uses derivatives like FX forwards, interest rate swaps and options to manage market risk.

Foreign currency risk

The functional currency of the Company and most of its subsidiaries is USD. In general, most operating revenues and a significant portion of operating expenses as well as most interest-bearing debt are denominated in USD. The Group is exposed to expenses and investments incurred in currencies other than USD ('foreign currencies'); the major currencies being Norwegian Kroner ('NOK'), Singapore Dollars ('SGD'), Euro ('EUR'), Korean Won ('KRW) and British Pounds ('GBP'). Operating expenses denominated in NOK, SGD, GBP, and EUR constitute a part of the Group's total operating expenses. Capital expenditures related to construction projects and life extension activities on FPSOs would also to some extent be denominated in other currencies than USD. Consequently, fluctuations in the exchange rate on NOK, SGD, GBP, EUR, CHF and KRW may have significant impact on the financial statements of the Group.

The Group enters into forward/futures contracts to reduce the exchange rate risk on cash flows nominated in foreign currencies, both related to construction projects and to operating and administrative expenses. The Group does not apply hedge accounting for hedging of its operational and administrative expenses in foreign currencies and the changes in valuation are taken over the profit and loss statement. The exchange rate risk is calculated for each foreign currency and takes into account assets and liabilities, liabilities not recognised in the balance sheet and expected purchases and sales in the currency in question. Currency hedges and other currency effects include changes in fair value of currency hedges, effects or settlement of these hedges, and other currency effects related to operating cash flows.

Total nominal value of the Group's foreign currency contracts was USD 96.5 million at 31 December 2021. Fair value of the foreign currency contracts amounted to negative USD 0.1 million (compared to USD 144.2 million and USD 2.7 million in 2020) and are presented gross in the statement of financial position. Net effect of forward exchange contracts recognised in the statement of income in 2021 is positive by USD 3.3 million (positive USD 2.4 million).

The Group is exposed to foreign currency risk on Bond Loan BWO05 which is issued in NOK, and per 31 December 2021 the issued bond had a value of NOK 900 million. The foreign currency exposure on BWO05 is hedged through cross-currency interest rate swaps with a nominal value of USD 98.8 million.

The market value of the cross-currency interest swaps was positive by USD 1.9 million at 31 December 2021 (positive USD 2.8 million).

The Group seeks to apply hedge accounting for larger construction projects to manage volatility in the income statement and statement of comprehensive income. BW Offshore will apply hedge accounting for the foreign exchange hedging related to the construction contract of the Barossa FPSO. The purpose is to manage currency risk during the project phase. The Group uses forward currency contracts to eliminate the currency exposure once the Group has entered into a firm commitment of a project contract. For foreign currency risk, the principal terms of the forward currency contract (notional and settlement date) and the future expense (or revenue) (notional and expected cash flow date) are identical. The foreign exchange derivatives are entered to match the respective supplier payments.

The following are identified as sources of ineffectiveness:
- Over-hedging – if the total amount exposure is less than the notional amount hedged.
- Timing mismatch – if the total amount of exposure exists, but occurs in a different period (month) than anticipated.

The net effect of the hedge accounting recognised in other comprehensive income amounts to USD 0.4 million. Hedge ineffectiveness recognised in profit or loss during 2021 is immaterial.

Cash flow hedges

At 31 December 2021, the Group held the following instruments to hedge exposures to changes in foreign currency.

	1–6 months	6–12 Months	More than one year
Foreign currency risk			
Forward exchange contracts			
Net exposure (in USD MILLION)	0.3	0.4	(0.4)
Average USD:SGD Forward Contract rate	1.36	1.37	1.37
Average USD:KRW Forward Contract rate	1 168.2	1 168.9	1 187.3
Average USD:CHF Forward Contract rate	0.92	0.91	–

Sensitivity analysis

A reasonably possible strengthening (weakening) of the NOK, SGD, KRW and CHF against USD at 31 December 2021 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. NOK is being forward hedged in relation to operational and administrative expenses, additional exposures in SGD, KRW, CHF and EUR are hedged in relation to ongoing construction of the Barossa FPSO, all other currencies that the Group is exposed to are covered spot. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasts.

	Profit or loss		Equity, net of tax	
USD MILLION	Strengthening	Weakening	Strengthening	Weakening
31 December 2021				
NOK (5% movement)	0.4	(0.4)	0.3	(0.3)
SGD (5% movement)	1.3	(1.3)	1.1	(1.1)
KRW (5% movement)	1.0	(1.0)	0.8	(0.8)
31 December 2020				
NOK (5% movement)	1.1	(1.1)	0.9	(0.9)
SGD (5% movement)	(0.1)	0.1	(0.1)	0.1

Interest rate risk

The Group is exposed to interest rate risk through its funding activities. Most of the Group's interest-bearing debt has floating interest rate conditions, making the Group influenced by changes in the market rates. The Group aims to hedge at least 50 per cent of its interest rate exposure.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The Group's main IBOR exposure at 31 December 2021 was indexed to USD LIBOR. The alternative reference rate for USD LIBOR is the Secured Overnight Financing Rate (SOFR). Although USD LIBOR was planned to be discontinued by the end of 2021, in November 2020 the ICE Benchmark Administration (IBA), the FCA-regulated and authorised administrator of LIBOR, announced that it had started to consult on its intention to cease the publication of certain USD LIBORs after June 2023. As at 31 December 2021, it is still unclear when the announcement that will set a date for the termination of the publication of USD LIBOR will take place.

The Group's finance department is managing BW Offshore's IBOR transition plan. The greatest change will be amendments to the contractual terms of the USD LIBOR referenced floating-rate debt and the associated interest rate swaps and the corresponding update of the hedge designation. As at 31 December 2021, the Group has not finished the process of implementing appropriate fallback provisions for all USD LIBOR indexed exposures. The counterparties to the Group's interest rate swaps are also counterparties to the floating loan they are hedging. It is then assumed that the result of the negotiations with external banks and the implementation of SOFR will not have material impacts on the Group's future financial results.

As of 31 December 2021, the Group's floating rate debt amounted to 959.1 USD million (USD 1 129) million).

The Group holds interest rate swaps with a nominal value of USD 704 million and interest rate caps with a nominal value of USD 100 million with maturity during 2022–2030. The weighted average interest swap rate was 1.657 per cent at 31 December 2021, and the average cap rate was 3.5 per cent. The swaps and caps are held to hedge the quarterly cash flows from floating rate interest payments on the Corporate Facility, the Catcher facility and the Petróleo Nautipa loan facility. The market value of the interest swaps and caps was negative by USD 16.7 million at 31 December 2021 (negative USD 50.2 million) and the changes in fair value have been recognised as a fair value loss on financial instruments.

The cross-currency interest rate swap held to hedge the BWO05 bond also hedges the interest rate risk on the bond with a nominal value of USD 98.8 million and is maturing in 2023. The weighted average interest swap rate was 6.3 per cent at 31 December 2021. The market value of the cross-currency interest rate swaps was positive by USD 1.9 million at 31 December 2021 (positive USD 2.8 million) and the changes in fair value have been recognised as a fair value gain/(loss) on financial instruments.

A reasonable possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown in the table below. The analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit or loss		Equity, net of tax	
USD MILLION	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2021				
Variable rate instruments	(5.6)	5.6	(4.6)	4.6
Interest rate swaps	7.0	(7.0)	5.8	(5.8)
Cash flow sensitivity	1.4	(1.4)	1.2	(1.2)
31 December 2020				
Variable rate instruments	(7.3)	7.3	(6.0)	6.0
Interest rate swaps	7.1	(7.1)	5.9	(5.9)
Cash flow sensitivity	(0.2)	0.2	(0.1)	0.1

CREDIT RISK

Credit risk is the risk of financial losses if a customer or counterparty to financial receivables and financial instruments fails to meet contractual obligations.

Loans, credit facilities, financial guarantees and derivatives are only conducted with approved counterparties and predominantly with investment grade financial institutions, and are governed by standard agreements (ISDA, Nordic Trustee and LMA documentation). The Group has policies that limit the amount of credit exposure against any financial institution. The maximum risk exposure is represented by the carrying amount of the financial assets in the balance sheet except for financial guarantees.

Most of the Group's customer contracts are long-term. The Group assesses the credit quality of the customers on a regular basis, considering its financial position, credit ratings from international credit rating agencies if available, experience and other factors. New projects and clients will similarly be assessed by reviewing financial statements and external credit ratings, but also country-risk will be evaluated in relation to potential financing and legal impact of agreements. Parent company guarantees are negotiated with customers and the Group will normally have contractual clauses to prevent a customer from novating the lease contract to counterparts with credit rating lower than investment grade (or comparable proxy), without consent. Given the limited number of major customers of the Group and the significant portion these represent to the Group's revenue, the inability of one or more of them to make full payment on any of the Group's contracted units may have a significant adverse impact on the financial position.

The Covid-19 pandemic and general market uncertainties has increased the credit risk in most industries. With the additional factors of volatile commodity prices and an increasing transition towards greener energy, credit risk has increased more in the oil and gas industry compared with other industries. As most of the Group's portfolio is with historically solid counterparties, where a significant number are also rated by international credit rating agencies, the Group believes that the credit risk related to counterparties is at an acceptable level.

Overdue trade receivables were USD 64.8 million at the end of 2021, compared to USD 44 million at the end of 2020. The overdue situation was mainly related to units operating in West Africa and Mexico. A portion of the overdue trade receivables was settled in January 2022.

The Group is also exposed to certain credit risk related to agreements entered into with suppliers such as yards used for construction projects. The Group manages its exposure to such risks through a thorough evaluation of the counterparty's financial position, external credit rating if available, and its backlog and ability to deliver on time, and subsequently by continuous monitoring of larger counterparties.

The Group regards its maximum credit risk exposure to the carrying amount of trade receivables (refer to Note 12), other current assets and financial lease receivables (refer to Note 25).

LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions in order to meet obligations of finance liabilities when they become due. Due to the dynamic nature of the underlying businesses, the Group maintains sufficient cash for its daily operations and its investment programme via short-term cash deposits at banks and a commitment to make available funds from the unutilised portion of revolving facilities offered by financial institutions to the Group.

The Group has a robust financial position. With the recent divestment of part of the shareholding in BW Energy, the Group has further strengthened the balance sheet, to position for accelerated growth into future accretive offshore energy projects and long-term value creation.

In 2021, the Group completed the debt financing and the equity joint venture partnership for the Barossa project. The Barossa FPSO is financed by a 14-year combined construction and long-term debt facility of USD 1.150 billion with a syndicate of nine international banks and by USD 240.0 million from the equity joint venture, consisting of BW Offshore (51 per cent) and ICMK Offshore Investment Pte Ltd (a 50:50 JV of ITOCHU Corporation and a subsidiary of Meiji Shipping Co Ltd) (25 per cent) and Macquarie Bank Limited (24 per cent). In addition, approximately USD 1 billion in pre-payments will be paid by the Barossa Upstream Joint Venture Partners during the construction period. These pre-payments are linked to progress and milestones on the project. By end of 2021, a total of USD 199.0 million has been received as per plan, USD 40.0 million was injected in total by equity partners and USD 210.0 million was drawn under the loan facility.

The Group monitors the liquidity through cash flow forecasting of operational and investment activities in the short-, medium- and long-term.

The refinancing of the USD 672.5 million Corporate Facility, the placement of BWO05 bond and the Convertible bond in 2019, has extended tenors of the Groups financing and has mitigated short-term refinancing and liquidity risk. Cashflows from continuing operations are sufficient to fulfil short-term financial obligations. Production from BW Catcher throughout 2021 has been a significant contributor to the cash flow of the Group together with BW Pioneer and BW Adolo.

The following table sets out the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. When counterparties have a choice of when to settle an amount, the liability is included based on the earliest date of which the counterparty can require settlement.

Maturity profile – financial liabilities, Year ended 2021

USD MILLION	Carrying Amount	Q1 22	Q2 22	Q3 22	Q4 22	2022	2023–2026	2027 and beyond	Total
USD 672.5 million Corporate Facility	176.3	–	–	–	–	–	180.0	–	**180.0**
Convertible bonds [1]	263.9	–	–	–	–	–	297.4	–	**297.4**
Catcher facility	369.8	28.6	28.6	28.6	28.6	114.3	257.1	–	**371.4**
Petróleo Nautipa facility	8.0	4.0	–	4.0	–	8.0	–	–	**8.0**
BWO05 – NOK 900 million Bond [2]	101.6	–	–	–	–	–	98.8	–	**98.8**
Other facilities	8.0	0.3	0.5	0.4	0.4	1.6	6.4	–	**8.0**
Finance liability related to Barossa lease	198.1	–	–	–	–	–	49.5	148.6	**198.1**
Interest rate swaps	1.5	2.6	2.6	2.6	2.5	10.3	18.3	2.4	**31.0**
Interest payments	3.0	3.3	3.1	3.0	2.8	12.2	11.7	–	**23.9**
Other	0.9	0.9	1.0	0.6	0.5	3.0	2.5	–	**5.5**
Contract liabilities	3.7	3.7	–	–	–	3.7	–	–	**3.7**
Lease liabilities	14.7	1.6	1.6	1.6	1.6	6.4	7.3	1.0	**14.7**
Trade and other payable current	355.5	170.6	61.6	61.6	61.6	355.5	–	–	**355.5**
Total	1 505.0	215.6	99.0	102.4	98.0	515.0	929.0	152.0	1 596.0

[1] The cash flow presented reflects a full repayment of the loan without conversion into equity instruments
[2] Bond loan illustrated at swapped USD/NOK rate.

Maturity profile – financial liabilities, Year ended 2020

USD MILLION	Carrying Amount	Q1 21	Q2 21	Q3 21	Q4 21	2021	2022–2025	2026 and beyond	Total
USD 672.5 million Corporate Facility	219.2	–	–	–	–	–	225.0	–	**225.0**
Convertible bonds[1]	253.9	–	–	–	–	–	297.4	–	**297.4**
Catcher facility	482.8	28.5	28.6	28.6	28.6	114.3	371.4	–	**485.7**
Petróleo Nautipa facility	16.0	4.0	–	4.0	–	8.0	8.0	–	**16.0**
BWO05 – NOK 900 million Bond[2]	103.8	–	–	–	–	–	98.8	–	**98.8**
Interest rate swaps	1.5	4.8	4.8	4.9	4.8	19.3	49.8	17.1	**86.2**
Interest payments	3.7	4.3	8.0	4.1	7.6	24.0	49.4	–	**73.4**
Other	1.2	1.2	1.2	1.2	1.0	4.6	3.9	–	**8.5**
Contract liabilities	3.6	3.6	–	–	–	3.6	–	–	**3.6**
Lease liabilities	20.7	1.7	1.6	1.6	1.6	6.5	12.7	1.5	**20.7**
Trade and other payable current	236.5	77.6	53.0	53.0	52.9	236.5	–	–	**236.5**
Total	1 342.9	125.7	97.2	97.4	96.5	416.8	1 116.4	18.6	**1 551.8**

[1] The cash flow presented reflects a full repayment of the loan without conversion into equity instruments.
[2] Bond loan illustrated at swapped USD/NOK rate.

The Group has the following undrawn borrowing facilities:

USD MILLION	2021	2020
Expire within one year	–	–
Expire beyond one year	154.8	230.0

FAIR VALUES

IFRS 13 requires disclosures of fair value measurements by the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The fair value of the Group's currency forward hedges (plain vanilla hedges) is determined using forward exchange rates at the balance sheet date, with the resulting value discounted to present value (level 2). This is presented on separate lines in the statement of financial position.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves (level 2). The fair value of the cross-currency interest swaps is presented as non-current liabilities in the statement of financial position.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2021		Carrying amount				Fair value			
USD MILLION	Note	Fair value – hedging instrument	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Forward exchange contracts used for hedging	21	1.6	–	–	**1.6**	–	1.6	–	**1.6**
Forward exchange contracts used in hedge accounting	21	2.3	–	–	**2.3**		2.3		**2.3**
Interest Rate Swaps used for hedging	21	0.8	–	–	**0.8**	–	0.8	–	**0.8**
Cross-currency swaps used for hedging	21	1.9	–	–	**1.9**	–	1.9	–	**1.9**
		6.6	–	–	**6.6**	–	6.6	–	**6.6**
Financial assets not measured at fair value									
Trade and other receivables	12	12	–	296.7	**–**	–	–	–	**–**
Financial lease receivable	25	25	–	12.3	**–**	–	–	–	**–**
Cash and cash equivalents	13	13	–	274.2	**–**	–	–	–	**–**
Other non-current assets			–	5.0	**–**	–	–	–	**–**
			–	588.2	**–**	–	–	–	**–**
Financial liabilities measured at fair value									
Interest Rate Swaps used for hedging	21	(19.0)	–	–	**(19.0)**	–	(19.0)	–	**(19.0)**
Forward exchange contracts used in hedge accounting	21	(2.0)	–	–	**(2.0)**	–	(2.0)	–	**(2.0)**
Forward exchange contracts used for hedging	21	(1.5)	–	–	**(1.5)**	–	(1.5)	–	**(1.5)**
		(22.5)	–	–	**(22.5)**	–	(22.5)	–	**(22.5)**
Financial liabilities not measured at fair value									
Secured bank loans	19	–	–	(562.2)	**(562.2)**	–	–	(559.4)	**(559.4)**
Unsecured bond issues	19	–	–	(365.4)	**(365.4)**	–	(399.7)	–	**(399.7)**
Finance liability related to Barossa lease		–	–	(198.1)	**(198.1)**	–	–	–	**–**
Other non-current liabilities	20	–	–	(380.7)	**(380.7)**	–	–	–	**–**
Trade and other payables	20	–	–	(359.2)	**(359.2)**	–	–	–	**–**
Lease liabilities	25	–	–	(14.2)	**(14.2)**	–	–	–	**–**
		–	–	(1 879.8)	**(1 879.8)**	–	(399.7)	(559.4)	**(959.1)**

31 December 2020		Carrying amount				Fair value			
USD MILLION	Note	Fair value – hedging instrument	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Forward exchange contracts used for hedging	21	4.6	–	–	**4.6**	–	4.6	–	**4.6**
Cross-currency swaps used for hedging	21	2.8	–	–	**2.8**	–	2.8	–	**2.8**
		7.4	–	–	**7.4**	–	7.4	–	**7.4**
Financial assets not measured at fair value									
Trade and other receivables	12	–	199.6	–	**199.6**	–	–	–	**–**
Financial lease receivable	25	–	35.7	–	**35.7**	–	–	–	**–**
Cash and cash equivalents	13	–	139.6	–	**139.6**	–	–	–	**–**
Other non-current assets		–	1.1	–	**1.1**	–	–	–	**–**
		–	376.0	–	**376.0**	–	–	–	**–**
Financial liabilities measured at fair value									
Interest Rate Swaps used for hedging	21	(51.7)	–	–	**(51.7)**	–	(51.7)	–	**(51.7)**
Forward exchange contracts used for hedging	21	(1.8)	–	–	**(1.8)**	–	(1.8)	–	**(1.8)**
		(53.5)	–	–	**(53.5)**	–	(53.5)	–	**(53.5)**
Financial liabilities not measured at fair value									
Secured bank loans	19	–	–	(718.0)	**(718.0)**	–	–	(726.7)	**(726.7)**
Unsecured bond issues	19	–	–	(357.7)	**(357.7)**	–	(402.3)	–	**(402.3)**
Other non-current liabilities	20	–	–	(214.1)	**(214.1)**	–	–	–	**–**
Trade and other payables	20	–	–	(240.1)	**(240.1)**	–	–	–	**–**
Lease liabilities	25	–	–	(19.8)	**(19.8)**	–	–	–	**–**
		–	–	(1 549.7)	**(1 549.7)**	–	(402.3)	(726.7)	**(1 129.0)**

The difference between carrying amount and fair value of the unsecured bond relates to amortised loan costs and the equity portion of the convertible bond.

CAPITAL STRUCTURE AND EQUITY

The primary focus of the Group's financial strategy is to ensure a healthy capital structure to support its business, fulfil all financial obligations and maximise shareholder values.

The Group also monitors and manages its capital structure in light of changes in the economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to its shareholders, return capital to shareholders or issue new shares.

Construction and conversion projects will normally be funded through current loan facilities and/or specific project loan facilities equalling 70–80 per cent of the cost of the project. Project loan facilities can be established either before a contract for the conversion project is signed, during the conversion phase of a project or when the FPSO commences operation.

The Group has also issued bonds in NOK and will consider continuing to do so when the market is attractive and if it provides competitive funding as an alternative to traditional bank financing. The Group placed a convertible bond in 2019 and has now more diversified sources of funding.

The Company has no specific targeted equity ratio. However, the loan facilities of the Group have certain covenants related to equity and equity ratio, both closely monitored by the Company (reference to Note 19).

NOTE 22 List of subsidiaries, associates and joint ventures

Subsidiaries	Country of incorporation	Ownership 2021	Ownership 2020
Berge Carmen Singapore Pte Ltd	Singapore	100%	100%
Bergesen Worldwide Mexico, S.A. de C.V.	Mexico	100%	100%
Bergesen Worldwide Offshore Mexico S. de RL de CV	Mexico	100%	100%
BW Abo Pte Ltd	Singapore	100%	–
BW Adolo Pte Ltd	Singapore	100%	100%
BW Athena Pte Ltd	Singapore	100%	100%
BW Berge Helene Pte Ltd	Singapore	100%	100%
BW Bergesen Worldwide Pte Ltd	Singapore	100%	100%
BW Catcher Limited[1]	Bermuda	100%	100%
BW Cidade de São Vicente Pte Ltd	Singapore	100%	100%
BW Espoir Ivoirien Pte Ltd	Singapore	100%	100%
BW Ideol AS[3]	Norway	53%	–
BW Ideol S.A.[4]	France	100%	–
BW Offshore Catcher (UK) Limited	United Kingdom	100%	100%
BW Offshore Australia Management Pty Ltd	Australia	100%	–
BW Offshore China Ltd	China	100%	100%
BW Offshore Cyprus Limited	Cyprus	100%	100%
BW Offshore do Brazil Ltda	Brazil	100%	100%
BW Offshore do Brazil Servicos Maritimos Ltda	Brazil	100%	100%
BW Offshore EPC FZE	United Arab Emirates	100%	–
BW Offshore France SAS	France	100%	100%
BW Offshore (Ghana) Pte Ltd	Singapore	100%	100%
BW Offshore Global Manning Pte Ltd	Singapore	100%	100%
BW Offshore Holdings Pte Ltd	Singapore	100%	100%
BW Offshore Management B.V.	Netherlands	100%	100%
BW Offshore Nautipa AS	Norway	100%	100%
BW Offshore Netherlands B.V.	Netherlands	100%	100%
BW Offshore Norway AS	Norway	100%	100%
BW Offshore Norwegian Manning AS	Norway	100%	100%

Subsidiaries	Country of incorporation	Ownership 2021	Ownership 2020
BW Offshore Opportunity I Limited	Bermuda	100%	100%
BW Offshore Poland sp z o.o.	Poland	100%	100%
BW Offshore Scotwind (UK) Limited	United Kingdom	100%	–
BW Offshore Shipholding Cyprus Limited	Cyprus	100%	100%
BW Offshore Shipholding Pte Ltd	Singapore	100%	100%
BW Offshore Singapore Pte Ltd	Singapore	100%	100%
BW Offshore SPV B.V.	Netherlands	100%	–
BW Offshore SPV Pte Ltd	Singapore	100%	–
BW Offshore TSB Invest Pte Ltd	Singapore	100%	100%
BW Offshore (UK) Limited	United Kingdom	100%	100%
BW Offshore USA Management, Inc.	USA	100%	100%
BW Offshore USA, LLC	USA	100%	100%
BW Opportunity Limited	Bermuda	100%	100%
BW Pioneer (UK) Limited	United Kingdom	100%	100%
BW Polvo Pte Ltd	Singapore	100%	100%
BW Sendje Berge Pte Ltd	Singapore	100%	100%
BW Umuroa Pte Ltd	Singapore	100%	100%
BWO–Premier Ghana Limited	Ghana	70%	70%
Egyptian Winlines Shipping Co. SAE[7]	Egypt	–	100%
Ideol Japan, LLC[4]	Japan	100%	–
Ideol USA, Inc.[4]	USA	100%	–
Prosafe GFPSO I B.V.	Netherlands	100%	100%
Prosafe Production B.V.	Netherlands	100%	100%
Prosafe Services Cote d'Ivoire Pte Ltd	Singapore	100%	100%
PT BW Offshore TSB Invest[2]	Indonesia	49%	49%
Tinworth Pte Ltd	Singapore	100%	100%
Tinworth France SAS	France	100%	100%
Tinworth Gabon SA	Gabon	100%	100%

Associates and joint ventures

Subsidiaries	Country of incorporation	Ownership 2021	Ownership 2020
OCS Services Limited	British Virgin Islands	50%	50%
Euro Techniques Industries	France	40%	40%
BW Energy Limited[5]	Bermuda	27%	39%
BW Offshore AUS–JV Pte Ltd[6]	Singapore	51%	–
BW Offshore Nigeria Limited	Nigeria	49%	49%

1 Preference shares are issued with a preferential dividend right to ICBCL. The preferential dividend is a fixed percentage of outstanding preference shares, and accordingly the result allocated to non–controlling interest is independent of underlying result in the subsidiary.

2 The company is 51 per cent owned by Indonesian shareholders. The company is recognised in the balance sheet without non–controlling interests, as the Group has put in place and has finalised agreements that ensure that 100 per cent of profits are retained by the Group.

3 Refer to Note 23 and Note 24.

4 Owned by BW Ideol AS, ownership effectively reduced to 53 per cent.

5 Ownership effectively reduced to 27 per cent in 2021 due to dilution and sale of shares, refer to Note 17.

6 Joint control due to shareholders agreements between the Group and external investors.

7 The company was derecognised during 2021.

NOTE 23 Business combinations

On 16 February 2021, BW Ideol AS, a subsidiary of BW Offshore Limited, entered into a sale and purchase agreement (the 'SPA') regarding the acquisition of 100 per cent of the shares in Ideol SA for a total consideration of USD 94.5 million settled as a combination of cash and newly issued shares in BW Ideol AS. On 10 March 2021 and in connection with the closing of the SPA, BW Ideol AS held an extraordinary general meeting where it was resolved to (i) redeem the existing share capital, (ii) issue 14 639 660 new shares to BW Offshore Holdings Pte. Ltd. (a subsidiary of BW Offshore Limited) against a cash injection of USD 62.2 million, and (iii) issue 5 815 240 new shares to the sellers against contribution in-kind in the form of shares in Ideol SA. On 15 March 2021, the transaction was closed and BW Ideol AS acquired 71.6 per cent of the shares of Ideol SA. The remaining 28.4 per cent of Ideol SA were acquired and paid in BW Ideol AS shares.

In parallel, BW Ideol AS completed a private placement (including partial Greenshoe exercise) of 11 655 625 shares at a price of NOK 47.00 per share and got listed on Euronext Growth Oslo. BW Offshore Holdings Pte. Ltd. subscribed for USD 11.8 million (NOK 100 million) in the private placement.

After the listing of BW Ideol AS on Euronext Growth in Oslo on 18 March and the following Greenshoe exercise, BW Offshore's ownership in BW Ideol AS is 53.2 per cent for a total cash consideration of USD 74.0 million.

Taking control of Ideol SA enables the BW Ideol Group to establish itself as a leading global player in floating offshore wind. The combination of Ideol technology, operational track record and engineering capabilities, and a pipeline of projects with the execution capabilities focused on large-scale offshore projects within BW Offshore, offers a unique combination.

Included in the identifiable assets and liabilities acquired at the date of acquisition of Ideol S.A. are inputs (primarily technology), processes and an organised workforce. The Group has determined that together the acquired inputs and processes significantly contribute to the ability to create revenue. The Group has concluded that this is acquisition of a business.

CONSIDERATION TRANSFERRED

USD MILLION	
Cash	62.2
Contribution in kind (5 815 240 shares à NOK 47)	32.3
Total consideration transferred	94.5

The value of the share retained for the valuation of the portion of Ideol SA acquisition paid in shares has been considered equal to the listing price of NOK 47.00.

ACQUISITION-RELATED COSTS

The Group incurred acquisition-related costs of USD 1.6 million on external legal fees and due diligence costs. These costs have been included in operating expenses in the consolidated statement of profit or loss.

IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

The following table summarises the recognised amounts of assets and liabilities assumed at the date of acquisition.

USD MILLION	
Intangible assets - R&D and software	4.6
Intangible assets - Technology	71.2
Property, plant & equipment	17.0
Other non-current assets	0.5
Trade receivables and other current assets	3.7
Cash and cash equivalents	2.5
Interest-bearing debt	(8.8)
Other non-current liabilities	(8.0)
Deferred tax liabilities	(15.7)
Trade and other payables	(4.0)
Other timing adjustments	1.5
Total identifiable net assets acquired	64.5

Acquired receivables were estimated at the contractual amounts. The estimate at the acquisition date of the contractual cash flows not expected to be collected was zero and all amounts were collected during 2021.

Measurement of fair values

The Purchase Price Allocation analysis led to the recognition of a technology intangible asset. Ideol has developed a floating barge for offshore wind turbines based on its patented technology that optimises the stability and performance of the floating wind turbine, even in extreme conditions.

As of the acquisition date, it would be valued at USD 71.2 million. It will be amortised on a straight-line basis over the remaining useful life of the asset estimated at 15 years, taking into consideration current industry experience and patents associated with the technology. The fair value of the technology has been measured provisionally, based on the present value of net cash flows it is expected to generate, pending completion of an independent valuation. If new information is obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition, then the accounting for the acquisition will be revised.

GOODWILL

Goodwill arising from the acquisition has been recognised as follows:

USD MILLION	
Total consideration transferred	94.5
Fair value of identifiable net assets	(64.5)
Goodwill	30.0

The goodwill is attributable mainly to the skills of the established assembled workforce, to the synergies expected to be achieved from integrating the new business segment and the value from future offshore windmill projects.

NOTE 24 Non-controlling interests

The following table summarises the information related to the Group's subsidiaries that has material NCI. Refer to Note 23 for information about incorporation of BW Ideol AS.

31 December 2021

USD MILLION	BW Ideol AS
NCI Percentage	46.8%
Non-current assets	121.2
Current assets	40.9
Non-current liabilities	27.4
Current liabilities	5.6
Net assets (100%)	129.1
Net assets attributable to NCI	60.4
Revenue	4.3
Profit for the year	(19.5)
OCI	–
Total comprehensive income (100%)	(19.5)
Profit allocated to NCI	(9.1)
OCI allocated to NCI	–
Cash flows from operating activities	(6.7)
Cash flows from investing activities	(64.7)
Cash flows from financing activities (dividends to NCI: nil)	105.7
Net increase (decrease) in cash and cash equivalents (100%)	34.3

ICBCL AGREEMENT

In November 2017, the Group closed an agreement with a nominee of the financial leasing firm, ICBC Financial Leasing Co., Ltd. (ICBCL), whereby such nominee becomes an equity partner in BW Catcher Limited. BW Catcher Limited has issued preference shares with a preferential dividend right to ICBCL, for an aggregate subscription price of USD 275 000 000. The aggregate redemption and dividends payments on the preference shares are estimated to reflect approximately 25—30 per cent of the estimated free cash flow after debt servicing in the Catcher contract over a similar term. The net proceeds from the issue of the preference shares will be used for general corporate purposes. The investment by ICBCL is presented as a non-controlling interest in the statement of financial position of the Group.

USD 7.9 million (USD 10.9 million) has been paid in dividends during 2021 and the redemption for 2021 amounts to USD 20.5 million (USD 25.3 million).

NOTE 25 Leases

THE GROUP AS A LESSEE

The Group leases office premises, apartments, warehouses and vessels. Leases of office premises generally have lease terms between 1 and 7 years, while apartments and warehouses and vessels generally have lease terms between 1 and 3 years.

The Group has leases of certain office equipment (i.e., personal computers, printing- and photocopying machines, coffee machines) that are considered of low value.

Total cash outflow for leases included in the statement of cash flows is USD 13.3 million (USD 5.9 million).

Right-of-use assets and lease liabilities

	Land and buildings	Right-of-use assets	Lease liabilities
Balance at 1 January 2021	18.5	18.5	19.8
Additions	7.0	7.0	7.0
Adjustments	0.6	0.6	0.6
Depreciation expense	(6.6)	(6.6)	n/a
Interest expense	n/a	n/a	0.4
Lease payments	n/a	n/a	(13.4)
Foreign currency translation gain/(loss)	(0.3)	(0.3)	(0.2)
Balance at 31 December 2021	19.2	19.2	14.2

	Land and buildings	Vessels	Right-of-use assets	Lease liabilities
Balance at 1 January 2020	20.1	1.9	22.0	23.0
Additions	1.3	–	1.3	1.3
Adjustments	3.2	–	3.2	3.2
Depreciation expense	(5.7)	(0.2)	(5.9)	n/a
Interest expense	n/a	n/a	n/a	0.5
Lease payments	n/a	n/a	n/a	(5.9)
Discontinued operation	(0.4)	(1.7)	(2.1)	(2.4)
Foreign currency translation gain/(loss)	–	–	–	0.1
Balance at 31 December 2020	18.5	–	18.5	19.8

Amounts recognised in profit or loss

USD MILLION	2021	2020
Interest on lease liabilities	0.4	0.5
Depreciation expense	6.6	5.9

Extension options

Some leases, such as office leases, contain contractual rights and options, such as extension and cancellation options, exercisable only by the Group and not by the lessors. These options may impact the estimated lease term. The Group assesses at lease commencement, and subsequently when facts and circumstances under the control of the Group require it, whether it is reasonably certain to exercise these options and reflects this in the lease term.

THE GROUP AS A LESSOR

Finance lease

The FPSO Yùum K'ak' Náab commenced operations in Mexico in July 2007 on a firm 15-year lease contract. The title of the vessel will automatically be transferred to the customer at the end of the lease term without compensation. The net present value of the minimum lease payments amounts to substantially all the fair value of the FPSO at the inception of the lease. In addition, the firm contract period is for the major part of the economic life of the FPSO.

Accordingly, this contract is classified as a finance lease. The Group will operate and maintain the FPSO over the 15-year contract period. Revenues and expenses arising from this operation are recognised as revenues from contracts with customers, lease interest and operating expenses on vessels.

The future minimum lease payments receivable from finance lease is presented in the table below:

USD MILLION	2021	2020
Not later than one year	12.5	25.3
Later than one year and not later than five years	-	12.5
Later than five years	-	-
Gross receivables from finance leases	12.5	37.8
Unearned future finance income on finance leases	(0.2)	(2.1)
Net investment in finance leases	12.3	35.7
Included in non-current assets (Financial lease receivables)	-	12.3
Included in current assets (Financial lease receivables)	12.3	23.4

Operating leases

BW Athena, BW Cidade de São Vicente, BW Opportunity, Umuroa and FPSO Polvo are not on contract as of 31 December 2021.

All other FPSOs owned by year end are on firm operating lease contracts.

Future minimum payments receivable under non-cancellable operating lease contracts as at 31 December are as follows:

USD MILLION	2021	2020
Not later than one year	313.7	397.4
Later than one year and not later than five years	896.4	844.5
Later than five years	2 301.4	60.6
Total amount	3 511.5	1 302.5

NOTE 26 Commitments and guarantees

Commitments related to construction projects and life extension activities and operations, contracted for at the balance sheet date, but not recognised in the financial statements are as follows:

USD MILLION	2021	2020
Nominal amount	749.3	37.4
Fair value	693.8	34.6
Interest rate	8.0%	8.0%

At 31 December 2021, the commitment included committed contract values related to the construction of the FPSO for the Barossa gas field, life extension activities on the fleet, as well as for ongoing operations.

At 31 December 2020, the commitment included committed contract values related to life extension activities on the fleet, as well as for ongoing operations.

The Group has issued bank guarantees in favour of various customers totalling USD 65.6 million (USD 67.3 million).

The bank debt related to the USD 672.5 million Corporate Facility, as referred to in Note 19, is secured by:

- a parent company guarantee from BW Offshore Limited
- first priority mortgages over eight FPSOs
- first priority secured interest in all earnings and proceeds of insurance related to the same eight FPSOs.

The bank debt related to the Catcher loan facility, as referred to in Note 19, is secured by:

- a parent company guarantee from BW Offshore Limited
- a first priority mortgage over the FPSO BW Catcher, owned by BW Catcher Limited, Bermuda
- first priority secured interest in all earnings and proceeds of insurance related to the FPSO.

The bank debt related to the Petróleo Nautipa facility, as referred to in Note 19, is secured by:

- a parent company guarantee from BW Offshore Limited
- a first priority mortgage over the FPSO Petróleo Nautipa owned by Tinworth Pte Ltd
- first priority secured interest in all earnings and proceeds of insurance related to the FPSO Petróleo Nautipa.

The bank debt related to the USD 1 150 million Barossa Loan Facility, as referred to in Note 21, is secured by:

- a parent company guarantee from BW Offshore Limited
- assignment of key construction contracts
- a first priority mortgage over the FPSO, once completed, to be owned by BW Offshore AUS-JV Pte Ltd, Singapore
- first priority secured interest in all earnings and proceeds of insurances related to the FPSO once contract has commenced.

The carrying value of vessels pledged as collateral per 31 December 2021 was USD 1 409.45 million (USD 1 718.8 million). In addition, the shares in certain vessel owning companies in the Group are pledged.

NOTE 27 Contingent assets and liabilities

In September 2021, Petro Rio Exploração e Produção de Petróleo Ltda. ('PetroRio') filed a Request for arbitration in relation to the FPSO Polvo against the Group under the Charter and Services Agreements. PetroRio puts forward different heads of claim in the total amount of approximately USD 31 million for overpayment of hire and arbitration costs and fees. In October 2021, BW Offshore filed their Response and put forward substantial counterclaims primarily for unpaid invoices and demobilisation costs for approximately USD 30 million. It is expected that an award will be obtained before the end of 2023. The net exposure is considered approximately USD 11 million.

The contract for Umuroa was terminated effective 31 December 2019. Following the termination of the FPSO contract, the client had contractual hire which was due but not paid. The client, Tamarind Taranaki Limited, is in liquidation. The Group has various claims against the Tamarind group companies for deferred capex payments, VOR settlements, unpaid charter hire and operating day rates in addition to claims for early termination fees. No receivable is recognised and any recovery of the outstanding amounts is considered uncertain.

In April 2016, the Group received a tax assessment and tax collection letter issued by the Indonesian Tax Office related to a tax audit for 2013 and 2014. The tax office disagreed with the revenue recognition method used by the Group. The Group obtained written expert advice in respect of the revenue recognition method adopted by the Group confirming that this is supported by Indonesian GAAP and International Financial Reporting Standards. Another tax audit for 2015 was concluded in June 2017. Similar to the tax audit for 2013 and 2014, the tax office disagreed with the revenue recognition method used by the Group. The claims related to 2014 and 2015 have been through various instances of the court system in Indonesia and was finally rejected by the Supreme Court in writing in 2021 while the claim related to 2013 was rejected in February 2022, concluding that all claims have been rejected.

The Group has an ongoing tax audit in Brazil related to allocation of revenue between the local entities and the vessel owning entities outside Brazil. Based on an evaluation of the case in collaboration with legal advisors, it is not found probable that the final tax assessment will result in additional tax expense for the Group, and no provision has been made. The total exposure is approximately USD 4.4 million.

In addition to the cases mentioned above, the Group also from time to time have tax audits and other minor disputes with clients or vendors. Provisions or claims are recognised in accordance with the accounting policies as stated in Note 2.

NOTE 28 Related parties transactions

The largest individual shareholder, BW Group Limited owning 49.9 per cent, is incorporated in Bermuda and is controlled by Sohmen family interests.

Investments in subsidiaries are disclosed in Note 22, investments in associates and joint ventures are disclosed in Note 17 and remuneration to the Board of Directors, Top Management and auditors is detailed in Note 9.

Other related party transactions:

		Transaction values for the year ended 31 December		Balance outstanding as at 31 December	
USD MILLION	Note	2021	2020	2021	2020
Sale of goods and services					
Joint ventures		207.1	–	71.2	–
Associates		93.1	80.5	12.3	8.5
Purchase of goods					
Joint ventures		65.2	5.2	41.7	(0.3)
Associates		6.0	5.0	2.1	2.4
Others					
Associates					
–Dividends received	17	–	0.2	–	–
–Short-term receivable		–	–	0.1	0.1

NOTE 29 Covid-19

The Group has proactively taken steps to minimise risk of business interruptions due to the Covid-19 pandemic, by implementing comprehensive procedures to safeguard people and operations and adhering to local public health advisory across all locations. The vaccine roll-out and a normalisation of global industry and business activity in 2021, led to a recovery in energy demand and prices, and supported a positive momentum throughout the oil and gas industry during the year.

Throughout 2021, the impact on operations was managed through good risk management, planning and procedures. The Group has a financial impact due to extra costs related to additional crew management and logistics, in addition to other negative financial impacts which are not directly measurable, such as challenges related to managing regular offshore maintenance. The Group expects that the Covid-19-related costs will continue in 2022 and probably also in 2023, but it is expected to taper off over time.

For further description of Covid-19 effects, refer to Note 15 and Note 21.

NOTE 30 Subsequent events

On 17 January 2022, the BW Offshore subsidiary BW Ideol AS, as part of the Floating Energy Allyance, has secured the rights to a significant floating offshore wind farm with the approximate capacity of 1GW off the northeast coast of Scotland through the Crown Estate Scotland's ScotWind leasing round. An estimate of the financial effect cannot be made. The Group owns 53.2 per cent of the shares outstanding in BW Ideol.

BW Cidade de São Vicente was sold for recycling in February 2022 for a cash consideration of USD 12.8 million. The unit was classified as held-for-sale at 31 December 2021.

On 24 January 2022, the Group signed an agreement to sell shares in PT BW Offshore TSB Invest to PT Bahari Inti Tanker and PT Cahaya Haluan Pasifik, both of which are Indonesian companies, in consortium with PT Buana Lintas Lautan Tbk, a company publicly listed in Indonesia. The consortium will continue to operate the FPSO under the lease contract with Kangean Energy Indonesia.

The transaction is subject to precedent customary conditions , with closing expected late in the first quarter of 2022. The FPSO operating company, BW Offshore TSB Invest Pte Ltd, was classified as assets and liabilities held-for-sale at 31 December 2021.

Statement of Income

USD MILLION (Year ended 31 December)	Note	2021	2020
Revenue	3	45.8	55.1
Operating expenses			
Other expenses	4	(25.9)	(33.9)
Total operating expenses		(25.9)	(33.9)
Operating profit/(loss)		19.9	21.2
Amortisation	15	(1.0)	(1.0)
Operating profit/(loss) (EBIT)		18.9	20.2
Interest income		19.3	20.7
Interest expense		(42.5)	(31.2)
Net currency exchange gain/(loss)		4.2	(7.1)
Fair value gain/(loss) on financial instruments		9.3	(24.5)
Loss on sale of shares in associate	12	(54.1)	–
Impairment	12, 14	(234.2)	(131.9)
Other financial expenses		(1.1)	(0.5)
Net financial items		(299.1)	(174.5)
Profit/(loss) before tax		(280.2)	(154.3)
Income tax expense	5	(2.5)	(2.6)
Net profit/(loss) for the year		(282.7)	(156.9)

Statement of Comprehensive Income

USD MILLION (Year ended 31 December)	Note	2021	2020
Profit/(loss) for the year		(282.7)	(156.9)
Other comprehensive income		–	–
Total comprehensive income for the year		(282.7)	(156.9)

The notes on pages 126–136 are an integral part of these financial statements.

Statement of Financial Position

USD MILLION (As at 31 December)	Note	2021	2020
ASSETS			
Intangible assets	15	1.2	2.1
Shares in subsidiaries	12	516.9	516.9
Investment in associates	12	190.3	544.4
Intercompany receivables long-term	14	665.2	690.3
Derivatives	11	2.7	4.1
Non-current assets		1 376.3	1 757.8
Trade and other receivables		2.0	1.8
Intercompany receivables short-term	14	10.3	7.5
Derivatives	11	0.6	1.1
Cash and cash equivalents	6	25.5	17.2
Current assets		38.4	27.6
Total assets		1 414.7	1 785.4

USD MILLION (As at 31 December)	Note	2021	2020
EQUITY			
Share capital	7	92.5	92.5
Share premium		1 095.5	1 095.5
Other equity	7, 8	(911.8)	(606.2)
Total shareholders' equity		276.2	581.8
LIABILITIES			
Interest-bearing long-term debt	8, 10	366.5	358.7
Intercompany payables long-term	14	696.5	725.6
Derivatives	11	7.8	22.8
Non-current liabilities		1 070.8	1 107.1
Interest-bearing short-term debt	8, 10	(1.0)	(1.0)
Trade and other payables	9, 10	3.9	3.3
Intercompany payables short-term	14	63.2	91.8
Derivatives	11	1.2	2.1
Current tax liabilities	5	0.4	0.3
Current liabilities		67.7	96.5
Total shareholders' equity and liabilities		1 414.7	1 785.4

The notes on pages 126–136 are an integral part of these financial statements.

Statement of Changes in Shareholders' Equity

USD MILLION	Share capital	Share premium	Treasury share reserve	Equity component of convertible bonds	Other elements	Total
At 1 January 2020	92.5	1 095.5	(0.3)	50.1	(373.1)	864.7
Profit/(loss) for the period	–	–	–	–	(156.9)	(156.9)
Treasury shares acquired	–	–	(10.0)	–	–	(10.0)
Dividends	–	–	–	–	(18.6)	(18.6)
Share-based payment	–	–	0.1	–	1.3	1.4
Dividend distribution	–	–	–	–	(98.8)	(98.8)
Total equity at 31 December 2020	92.5	1 095.5	(10.2)	50.1	(646.1)	581.8
At 1 January 2021	92.5	1 095.5	(10.2)	50.1	(646.1)	581.8
Profit/(loss) for the period	–	–	–	–	(282.7)	(282.7)
Dividends	–	–	–	–	(25.3)	(25.3)
Share-based payment	–	–	0.1	–	2.3	2.4
Total equity at 31 December 2021	92.5	1 095.5	(10.1)	50.1	(951.8)	276.2

The notes on pages 126–136 are an integral part of these financial statements.

Statement of Cash Flows

USD MILLION (Year ended 31 December)	Note	2021	2020
Operating activities			
Profit/(loss) before tax		(280.2)	(154.3)
Adjustments for:			
Amortisation	15	1.0	1.0
Impairment charges	12, 14	234.2	131.9
Fair value change on financial instruments		(14.0)	(21.5)
Currency gain/loss		(2.8)	8.0
Add back of net interest expense		23.2	(0.3)
Loss from sale of shares	12	54.1	–
Dividends from group companies		(45.0)	–
Share-based payment expense		2.4	1.5
Changes in:			
Receivables and accounts payable		0.5	(1.1)
Other items from operating activities		5.0	45.1
Cash generated from operating activities		(21.6)	10.3
Taxes paid	5	(2.4)	(2.4)
Net cash flows from/(used) in operating activities		(24.0)	7.9

USD MILLION (Year ended 31 December)	Note	2021	2020
Investing activities			
Proceeds from sale of investments		65.7	–
Interest received		19.3	20.7
Dividends received	3	45.0	55.0
Investments in subsidiaries		–	(6.0)
Investment in intangible assets	15	(0.1)	(0.2)
Net cash flows from/(used in) investing activities		129.9	69.5
Financing activities			
Changes in intercompany receivables/payables	14	(35.4)	108.5
Repayment of long-term debt	8	–	(141.1)
Treasury shares acquired	7	–	(10.0)
Dividends paid		(25.3)	(18.6)
Interest paid		(36.9)	(20.4)
Net cash flows from/(used in) financing activities		(97.6)	(81.6)
Net change in cash and cash equivalents		8.3	(4.2)
Cash and cash equivalents at 1 January		17.2	21.4
Cash and cash equivalents at 31 December	6	25.5	17.2

The notes on pages 126–136 are an integral part of these financial statements.

Notes

NOTE 1 Reporting entity

BW Offshore Limited ('BW Offshore' or the 'Company') was incorporated in Bermuda in 2005 and is domiciled in Bermuda with its registered address at Washington Mall Phase 2, 4th Floor, Suite 400, 22 Church Street, Hamilton HM1189, Bermuda. BW Offshore Limited is the holding company in the BW Offshore Limited Group and is listed on Oslo Stock Exchange (OSE).

NOTE 2 Significant accounting policies

BASIS OF ACCOUNTING

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'). The financial statements have been prepared pursuant to the historical cost convention, with some exceptions, as detailed in the accounting policies set out below.

The financial statements were approved by the Board of Directors on 27 February 2022.

All figures are in USD million if not otherwise stated. As a result of rounding differences, numbers and or percentages may not add up to the total. Figures in brackets refer to corresponding figures for 2020.

CURRENCY TRANSLATION

Functional and presentation currency

The Company's presentation currency is United States Dollars (USD). This is also the functional currency of the Company and most of its subsidiaries.

Transactions and balances

Transactions in a currency other than the functional currency ('foreign currency') are translated into the functional currency using the exchange rates prevailing at the date of transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation of financial year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

USE OF JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of complying with the Company's accounting policies.

Impairment

Shares in subsidiaries, investment in associates and intercompany receivables are subject to impairment testing at the end of each reporting period. Valuation is subject to assessment of the recoverability in the underlying investment or receivable. Management's assessment can affect the level of impairment loss, or reversal of such, that is recognised in profit or loss.

CHANGES IN ACCOUNTING POLICIES

There are no changes in the accounting policies.

ACCOUNTING FOR SUBSIDIARIES AND ASSOCIATES

The subsidiaries are those entities (including special purpose entities) in which the Company has control. Control is achieved when the Company is exposed or has rights to variable returns from its involvement with a company in which it has invested and has the ability to use its power to affect its returns from this company. Investments in subsidiaries are stated at cost less any impairment.

Associates are those entities in which the Company has significant influence, but no control, or has joint control, over the financial and operating policies, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee. Investments in associates are stated at cost less any impairment.

REVENUE RECOGNITION

Revenue from contracts with customers

Revenue from contracts with customers is recognised upon satisfaction of the performance obligations for the transfer of services in each such contract. A performance obligation is satisfied when or as the customer obtains the goods or services delivered. It is recognised at an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. Revenues are presented net of indirect sales taxes.

Interest income

Interest income is recognised on a time proportion basis applying the effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment is established.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The Company's financial assets are derivatives, trade– and intercompany receivables and cash and cash equivalents.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. Except for trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, (in the case of a financial asset not at fair value through profit or loss), transaction costs.

The Company classifies its financial assets in two categories:

- Financial assets at amortised cost.
- Financial assets at fair value through profit or loss (FVTPL).

Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include trade– and intercompany receivables and cash and cash equivalents.

Financial assets at fair value through profit or loss

Derivatives at fair value are carried in the statement of financial position at fair value with net changes in fair value through profit or loss. The category includes foreign exchange contracts and interest rate swaps.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement; and either
  a. the Company has transferred substantially all the risks and rewards of the asset, or
  b. the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

For intercompany receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime Estimated Credit Losses (ECLs) at each reporting date, based on its historical credit loss experience.

The Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost except for financial liabilities at fair value through profit or loss (FVTPL). Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derivatives are financial liabilities when the fair value is negative and financial assets when the fair value is positive.

Derecognition of financial liabilities

The Company has applied the derecognition requirement in IFRS 9 – Financial Instruments prospectively to transactions occurring on or after the transition date, but not retrospectively to financial liabilities already derecognised prior to the transition date.

Under IFRS, the amortised cost of a modified financial liability, in which the terms of the financial liability are not determined to be substantially modified, is recalculated as the present value of the estimated future contractual cash flows, discounted at the original effective interest rate. The resulting gains or losses are recognised in profit or loss.

SHARE CAPITAL

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a reduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments issued by the Company comprise convertible bonds denominated in USD, that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised as the difference between the fair value of the compound financial instrument and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events, when it is likely that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

CLASSIFICATION OF ASSETS AND LIABILITIES

Assets for long-term ownership or use are classified as fixed assets. Other assets are classified as current assets. Liabilities which fall due more than one year after being incurred are classified as long-term liabilities, except for following year's instalments on long-term debt. This is presented as current interest-bearing debt. Liabilities which fall due less than one year after they are incurred are classified as current liabilities.

NOTE 3 Revenue

USD MILLION	2021	2020
Revenue from contracts with customers	0.8	0.1
Dividend income	45.0	55.0
Total revenue	45.8	55.1

NOTE 4 Operating expenses

USD MILLION	2021	2020
Management fee	14.1	17.9
Lawyer's fee	0.5	1.3
Consultant's fee	0.6	1.3
Auditor's fee	0.2	0.3
Other operating expenses	10.5	13.1
Total operating expenses	25.9	33.9

Management fee is fee for management services provided to the Company by subsidiaries in the group.

NOTE 5 Income tax

BW Offshore Limited is a Bermuda company. Currently, the Company is not required to pay taxes in Bermuda on ordinary income or capital gains. The Company has received written assurance from the Minister of Finance in Bermuda that it will be exempt from taxation until 2036.

The income tax for 2021 concerns withholding tax which the Company is subject to in certain countries where the Company has financial income.

NOTE 6 Cash and cash equivalents

Cash and cash equivalents comprise the following items:

USD MILLION	2021	2020
Bank deposits	25.5	17.2
Total cash and cash equivalents	25.5	17.2

NOTE 7 Share capital and reserves

Authorised share capital:	
At 1 January 2021:	214 000 000 ordinary shares at par value USD 0.50 each
At 31 December 2021:	214 000 000 ordinary shares at par value USD 0.50 each

Issued and fully paid	USD THOUSAND
At 1 January 2021	92 478.2
At 31 December 2021	92 478.2

TREASURY SHARE RESERVE

At 31 December 2021, the Company held a total of 4 141 437 own shares (4 156 534). Book value of the treasury shares was USD 10.1 million at 31 December 2021 (USD 10.2 million).

CONVERTIBLE BONDS

The reserve for the convertible bonds comprises the amount allocated to the equity component for the convertible bonds issued by the Company in November 2019.

NOTE 8 Loans and borrowings

USD MILLION	Effective interest rate	Maturity date	Carrying amount 2021	2020
Convertible bonds	2.50%	12 Nov 2024	**264.5**	254.5
BWO05 – NOK 900 million Bond	3 month NIBOR + 4.50%	04 Dec 2023	**102.0**	104.2
Total long-term debt			**366.5**	358.7

USD MILLION	Effective interest rate	Maturity date	Carrying amount 2021	2020
Convertible bonds	2.50%	12 Nov 2024	**(0.6)**	(0.6)
BWO05 – NOK 900 million Bond	3 month NIBOR + 4.50%	04 Dec 2023	**(0.4)**	(0.4)
Total short-term debt			**(1.0)**	(1.0)
Total interest-bearing debt			**365.5**	357.7

BWO05 – NOK 900 MILLION BOND

During the fourth quarter 2019, BW Offshore Limited successfully completed the placement of a NOK 900 million senior unsecured bond with maturity date on 4 December 2023. The proceeds from the bond loan were used to partly repay existing bond loans. The bond loan is subject to certain covenants, including minimum book equity of at least 25 per cent of total assets and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Group.

CONVERTIBLE BONDS

During the fourth quarter 2019, BW Offshore Limited issued a USD 297.4 million convertible bond with a five-year tenor and coupon of 2.50 per cent per annum, payable semi-annually in arrears. The convertible bond has no regular repayments and matures in full on 12 November 2024. There are no financial covenants in the convertible bond agreement. The proceeds from the convertible bond loan were used to refinance the existing bond loans and for general corporate purposes. The initial conversion price of USD 10.24 corresponds to a conversion premium of 37.5 per cent over the volume weighted average price of the shares on the Oslo Stock Exchange at 5 November 2019 (converted at the prevailing USD:NOK spot rate equal to NOK 9.1921 / USD 1.00).

USD MILLION	
Proceeds from issue of convertible bonds	297.4
Transaction costs	(3.8)
Net proceeds	293.6
Amount classified as equity (net of transaction costs of USD 0.7 million)	(50.1)
Accreted interest	19.1
Expensed capitalised borrowing costs	1.3
Carrying amount of liability at 31 December 2021	263.9

The conversion price is subject to adjustment for dividends paid or other changes affecting the value of the share.

During 2021, the quarterly dividends resulted in adjustments to the initial conversion rate.

	Distribution declared per share	Conversion price
First quarter, 2021	0.035	8.95
Second quarter, 2021[1]	0.035	8.95
Third quarter, 2021	0.035	8.78
Fourth quarter, 2021	0.035	8.68

[1] No adjustment

	Distribution declared per share	Conversion price
First quarter, 2020[1]		9.27
Second quarter, 2020[2]	0.034	9.27
Third quarter, 2020	0.034	9.10
Fourth quarter, 2020[2]	0.035	9.10

[1] Distribution of BW Energy shares
[2] No adjustment

RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Interest payable	Intercompany payables	Liabilities		Equity	Total
USD MILLION			Interest-bearing short-term debt	Interest-bearing long-term debt		
Balance at 1 January 2021	–	–	(1.0)	358.7	581.8	
Dividends paid	–	–	–	–	(25.3)	(25.3)
Interest paid	(18.5)	–	–	–	–	(18.5)
Changes in intercompany receivables	–	(35.4)	–	–	–	(35.4)
Total changes from financing cash flows	(18.5)	(35.4)	–	–	(25.3)	(79.2)
Effects of changes in foreign exchange rate and interest rate swaps			–	(2.5)	–	(2.5)
Liability-related:						
Accreted interest			–	9.3	–	9.3
Expensed capitalised borrowing costs			–	1.0	–	1.0
Total liability-related other changes			–	10.3	–	10.3
Total equity-related other changes			–	–	(280.3)	(280.3)
Balance at 31 December 2021			(1.0)	366.5	276.2	

USD MILLION	Interest payable	Intercompany payables	Liabilities		Equity	Total
			Interest-bearing short-term debt	Interest-bearing long-term debt		
Balance at 1 January 2020	–	–	99.0	346.6	864.7	
Repayment of borrowings	–	–	(141.1)	–	–	(141.1)
Dividends paid	–	–	–	–	(18.6)	(18.6)
Treasury shares acquired	–	–	–	–	(10.0)	(10.0)
Interest paid	(20.4)	–	–	–	–	(20.4)
Changes in intercompany receivables	–	108.5	–	–	–	108.5
Total changes from financing cash flows	(20.4)	108.5	(141.1)	–	(28.6)	(81.6)
Effects of changes in foreign exchange rate and interest rate swaps			41.1	2.5	–	43.6
Liability-related:						
Accreted interest			–	8.6	–	8.6
Expensed capitalised borrowing costs			–	1.0	–	1.0
Total liability-related other changes			–	9.6	–	9.6
Total equity-related other changes			–	–	(254.3)	(254.3)
Balance at 31 December 2020			(1.0)	358.7	581.8	

NOTE 9 Trade and other payables

USD MILLION	2021	2020
Trade payables	0.3	0.6
Other accruals	3.6	2.7
Total trade and other payables	3.9	3.3

NOTE 10 Financial assets and liabilities

As of 31 December, the Company had financial assets and liabilities in the following categories:

Year ended 31 December 2021

		Carrying amount				Fair value			
USD MILLION	Note	Fair value – hedging instrument	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Forward exchange contracts used for hedging	11	0.7	–	–	0.7	–	0.7	–	0.7
Cross-currency swaps used for hedging	11	2.6	–	–	2.6	–	2.6	–	2.6
		3.3	–	–	3.3	–	3.3	–	3.3
Financial assets not measured at fair value									
Other non-current assets	14	–	665.2	–	665.2	–	–	–	–
Trade and other receivables	14	–	12.3	–	12.3	–	–	–	–
Cash and cash equivalents	6	–	25.5	–	25.5	–	–	–	–
		–	703.0	–	703.0	–	–	–	–
Financial liabilities measured at fair value									
Interest rate swaps used for hedging	11	(8.2)	–	–	(8.2)	–	(8.2)	–	(8.2)
Forward exchange contracts used for hedging	11	(0.8)	–	–	(0.8)	–	(0.8)	–	(0.8)
		(9.0)	–	–	(9.0)	–	(9.0)	–	(9.0)
Financial liabilities not measured at fair value									
Unsecured bond issues	8	–	–	(365.5)	(365.5)	–	(399.7)	–	(399.7)
Other non-current liabilities	14	–	–	(696.5)	(696.5)	–	–	–	–
Trade and other payables	9, 14	–	–	(67.1)	(67.1)	–	–	–	–
		–	–	(1 129.1)	(1 129.1)	–	(399.7)	–	(399.7)

Year ended 31 December 2020		Carrying amount				Fair value			
USD MILLION	Note	Fair value – hedging instrument	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Forward exchange contracts used for hedging	11	2.4	–	–	2.4	–	2.4	–	2.4
Cross-currency swaps used for hedging	11	2.8	–	–	2.8	–	2.8	–	2.8
		5.2	–	–	5.2	–	5.2	–	5.2
Financial assets not measured at fair value									
Other non-current assets	14	–	690.3	–	690.3	–	–	–	–
Trade and other receivables	14	–	9.3	–	9.3	–	–	–	–
Cash and cash equivalents	6	–	17.2	–	17.2	–	–	–	–
		–	716.8	–	716.8	–	–	–	–
Financial liabilities measured at fair value									
Interest rate swaps used for hedging	11	(23.1)	–	–	(23.1)	–	(23.1)	–	(23.1)
Forward exchange contracts used for hedging	11	(1.8)	–	–	(1.8)	–	(1.8)	–	(1.8)
		(24.9)	–	–	(24.9)	–	(24.9)	–	(24.9)
Financial liabilities not measured at fair value									
Unsecured bond issues	8	–	–	(357.7)	(357.7)	–	(402.3)	–	(402.3)
Other non-current liabilities	14	–	–	(725.6)	(725.6)	–	–	–	–
Trade and other payables	9, 14	–	–	(95.1)	(95.1)	–	–	–	–
		–	–	(1 178.4)	(1 178.4)	–	(402.3)	–	(402.3)

NOTE 11 Financial risk management

The Company's activities expose it to a variety of financial risks. Overall risk management follows and is handled by the BW Offshore Group. These processes and policies are described in more detail under Note 21 of the consolidated financial statements of BW Offshore Group.

FOREIGN CURRENCY RISK

The Company's business is not exposed to significant foreign exchange risk as its operating expenses are mainly denominated in United States Dollars, which is the functional currency of the Company. The Company enters into forward/futures contracts to reduce the exchange-rate risk in cash flows nominated in foreign currencies related to administrative expenses. The exchange-rate risk is calculated for each foreign currency and considers assets and liabilities, liabilities not recognised in the balance sheet and expected purchases and sales in the currency in question. Currency hedges and other currency effects include changes in fair value of currency hedges, effects or settlement of these hedges, and other currency effects related to operating cash flows.

The Company is exposed to foreign currency risk on bond issued in NOK, respectively bond BWO05. The foreign currency exposure on BWO05 is hedged through cross-currency interest swaps with a nominal value of USD 98.8 million.

INTEREST RATE RISK

Except for the amount due to and from subsidiaries, the Company's operating cash flows are independent of changes in market interest rates.

The Company holds interest rate caps with a nominal value of USD 100 million in total with maturity in 2023. The caps are held to hedge the quarterly cash flows from floating rate interest payments on the Corporate Facility loan. The cross-currency interest swap held to hedge the BWO05 bond also hedges the interest rate risk on the bond.

CREDIT RISK

The Company's credit risk is primarily attributable to the amount due from the subsidiaries (non-trade). At the balance sheet date, this amount due from subsidiaries (non-trade) is not past due. The maximum exposure is represented by the carrying amount of this financial asset on the balance sheet.

LIQUIDITY RISK AND CAPITAL RISK

The funding requirements of the Company are met by the subsidiaries of the BW Offshore Group. The Company's objective when managing capital is to ensure that the Company is adequately capitalised and that funding requirements are met by the BW Offshore Group.

The Company is not subject to any externally imposed capital requirements.

NOTE 12 Shares in subsidiaries and associates

Subsidiaries	Country of incorporation	Ownership 2021	Ownership 2020
BW Catcher Limited	Bermuda	100%	100%
BW Offshore do Brazil Ltda	Brazil	100%	100%
BW Offshore EPC FZE	United Arab Emirates	100%	-
BW Offshore Holdings Pte. Ltd.	Singapore	100%	100%
BW Offshore Opportunity I Limited	Bermuda	100%	100%

In 2020, the Company recorded an impairment of USD 55.5 million on investments in subsidiaries.

Associates	Country of incorporation	Ownership 2021	Ownership 2020
BW Energy Limited	Bermuda	27%	39%

The Company recorded an impairment of USD 234.2 million on interest in associates to write down the carrying amount to its recoverable amount.

On 29 October 2021, the Company sold 20 000 000 shares in BWE, representing approximately 7.8 per cent of the outstanding shares, at NOK 28 per share. Following the sale, the Company holds 70 840 553 shares in BWE, representing 27.5 per cent of the shares outstanding in BWE.

On 21 January 2021, BW Energy Limited (BWE) completed a USD 75 million private placement and allocated and issued 23 690 000 new shares at a subscription price of NOK 27 per share, raising gross proceeds of NOK 639 640 000. The Company was not allocated shares in the private placement, consequently the ownership interest in BWE diluted by 3.56 per cent to 35.21 per cent.

In January 2020, the Company acquired 68.6 per cent of BWE and in February 2020, BWE was listed at Oslo Stock Exchange. The Company resolved to distribute 37 741 000 shares in BWE (the 'Dividend Shares') to the eligible shareholders. The total value of the Dividend Shares was USD 98.8 million. Following the completion of the Offering and the Dividend Distribution, the Company's share of the investment in BWE was reduced to 38.8 per cent. Considering a loss of control, BWE is no longer a subsidiary from 17 February 2020.

NOTE 13 Guarantees

The Company has issued parent guarantees as security for its subsidiaries' bank debts, relating to the USD 672.5 million Corporate facility, the Catcher USD 800 million facility and the Petróleo Nautipa USD 80 million facility, as listed in Note 26 of the consolidated financial statements of BW Offshore Group.

NOTE 14 Intercompany receivables and payables

USD MILLION	2021	2020
Intercompany receivables long-term	665.2	690.3
Intercompany receivables short-term	10.3	7.5
Intercompany payables long-term	696.5	725.6
Intercompany payables short-term	63.2	91.8

Intercompany loan agreements with subsidiaries are set up based on regular market rates, using 3-month LIBOR. Outstanding balances at year end are unsecured.

In 2020, the Company recorded an impairment of USD 76.4 million on intercompany loan.

NOTE 15 Intangible assets

USD MILLION	Software
Cost at 1 January 2021	3.1
Additions	0.1
Carrying amount at 31 December 2021	3.2
Amortisation at 1 January 2021	(1.0)
Amortisation	(1.0)
At 31 December 2021	(2.0)
Net book value at 31 December 2021	1.2

Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the period 1 January to 31 December 2021 have been prepared in accordance with current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties facing the Company and the Group.

Bermuda, 27 February 2022

Sign	*Sign*	*Sign*	*Sign*	*Sign*
Mr Andreas Sohmen-Pao	Ms Rebekka Glasser Herlofsen	Mr Maarten R Scholten	Mr René Kofod-Olsen	Mr Carl K. Arnet
Chairman	Director	Director	Director	Director

Alternative Performance Measures (APMs)

The Group discloses alternative performance measures in addition to those required by IFRS, as we believe these provide useful information to management, investors and security analysts regarding our historical financial performance.

EBIT

EBIT, as defined by the Group, means earnings before interest and tax.

EBITDA

EBITDA, as defined by the Group, means EBIT excluding depreciation and amortisation, impairment and disposal and gain from sale of tangible fixed assets. EBITDA may differ from similarly titled measures from other companies.

USD MILLION	2021	2020
Revenue	829.3	886.3
Operating expenses	(378.4)	(348.0)
Other expenses	(40.2)	(63.1)
Administrative expenses	(8.6)	(39.1)
Impairment loss on trade receivables	(0.8)	–
Total expenses	(428.0)	(450.2)
Operating profit before depreciation, amortisation, impairment and sale of assets (EBITDA)	401.3	436.1
Depreciation and amortisation	(270.0)	(284.0)
Impairment	(90.5)	(292.7)
Net gain/(loss) on sale of tangible fixed assets	1.2	–
Operating profit/(loss) (EBIT)	42.0	(140.6)

CAPITAL EXPENDITURES

Capital expenditures means investments in vessels, intangible assets and property and other equipment, including capitalised interest. Capital expenditure may differ from investment in operating fixed assets and intangible assets presented in the Consolidated Statement of Cash Flows, as capital expenditure may also contain non-cash transactions.

USD MILLION	2021	2020
Vessels and other property, plant and equipment	420.1	37.8
Tangible E&P assets	–	23.0
Intangible assets	0.5	7.6
Total capital expenditures	420.6	68.4
Change in working capital and asset retirement obligation	(125.2)	15.6
Investment in operating fixed asset and intangible assets	295.4	84.0

NET INTEREST-BEARING DEBT

Net interest-bearing debt is defined as short-term and long-term interest-bearing debt less cash and cash equivalents.

USD MILLION	2021	2020
Cash and cash equivalents	(274.2)	(139.6)
Long-term interest-bearing debt	807.4	958.0
Short-term interest-bearing debt	120.2	117.7
Net interest-bearing debt	653.4	936.1

ORDER BACKLOG

Order backlog is defined as the aggregated revenue backlog from firm contracts and probable options.

EQUITY RATIO

Equity ratio is an indicator of the relative proportion of equity used to finance the Group's assets, defined as total equity divided by total assets.

KPMG AS
Sørkedalsveien 6
Postboks 7000 Majorstuen
0306 Oslo

Telephone +47 45 40 40 63
Internet www.kpmg.no
Enterprise 935 174 627 MVA

To the General Meeting of BW Offshore Limited

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BW Offshore Limited, which comprise:

- The consolidated financial statements of BW Offshore and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
- The financial statements of the parent company BW Offshore ("the Company"), which comprise the statement of financial position as at 31 December 2021, the statement of income, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements;
- the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU, and;
- the accompanying financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services have been provided.

We have been the auditor of the Company for 4 years from the election by the general meeting of the shareholders on 28 May 2018 for the accounting year 2018.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of FPSO fleet

Reference is made to *Note 15 Property, plant & equipment* in the Consolidated financial statements.

The Key Audit Matter	*How the matter was addressed in our audit*
The Group's FPSO fleet represents a significant portion of total assets. The Group regularly reviews whether there are any impairment indicators and tests the individual assets for impairment (reversal) if an indicator is identified. In order to assess whether an impairment indicator exists, management applies substantial judgment related to the likelihood that option periods in the contract are exercised and the likelihood of redeployment of the vessel to new contracts beyond the current contract period. This uncertainty is mainly applicable to those vessels that are nearing the end of the fixed contract period and those that are currently not on contract. For those assets where management identified an impairment (reversal) indicator management determined the recoverability of these assets using valuation models which includes management's estimates of the future cash flows that these assets are expected to produce. The carrying value of these assets are particularly sensitive to management's assumptions made around utilisation of the vessels beyond the current contract period. During 2021, impairment charges were recognised for BW Athena (USD 2.0 million), Sendje Berge (USD 15.7 million), Espoir Ivoirien (USD 21.4 million), Petróleo Nautipa (USD 19.9 million), Joko Tole (USD 23.8 million), Berge Helene (USD 4.2 million), and Umuroa (USD 7.1 million). A reversal of impairment was recognised for BW Citade de São Vicente (USD 4.2 million).	We assessed whether all material assets requiring impairment testing had been identified by management. For this purpose we have assessed key input factors in the impairment (reversal) trigger assessment, including remaining contract period and field lifetime expectancy. For those assets where management identified an impairment (reversal) trigger, we evaluated the impairment calculations performed, including the assumptions applied. We assessed the estimates of future cash flows and challenged whether these were appropriate considering: • historical performance and budgets; • remaining contract period and status of contract renegotiations; • anticipated or executed sale agreements; and • previous estimates. We also assessed by reference to market data the inputs to and calculation of the discount rate used by management. The key inputs included the risk-free rate, market risk premium and industry financing structures (gearing and cost of debt and equity). In testing these assumptions we made use of KPMG valuation experts. We assessed the mathematical accuracy of the valuation models used to calculate the value in use. We assessed the adequacy of disclosure related to impairments in *Note 15 Property, plant & equipment* in the Consolidated financial statements.

2

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other accompanying information otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

The Board of Directors and the Chief Executive Officer ("Management") are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion

We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name "2138008LFKH8V2EOA915-2021-12-31-en.zip" have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities

Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

Auditor's Responsibilities

Our responsibility is to express an opinion on whether the financial statements have been prepared in accordance with ESEF. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements have been prepared in accordance with the European Single Electronic Format.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its financial statements in the European Single Electronic Format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the financial statements tagged under the European Single Electronic Format with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 27 February 2022
KPMG AS

Sign.

Dave Vijfvinkel

Addresses

BW OFFSHORE LIMITED
Washington Mall Phase 2
4th Floor, Suite 400
22 Church Street
Hamilton HM 1189
Bermuda

BW OFFSHORE SINGAPORE PTE LTD
30 Pasir Panjang Road
#14-31/32 & #15-32 Mapletree
Business City
Singapore 117440
Tel: +65 6632 7888

BW OFFSHORE NORWAY AS
Drammensveien 151
P.O. Box 33 Skøyen
NO-0212 Oslo
Norway
Tel: +47 2313 0000

BW OFFSHORE DO BRASIL LTDA
Rua Lauro Muller 116 Sala 703 Torre
do Rio Sul – Botafogo
Rio de Janeiro
22290-160
Brazil
Tel.: +55 21 2244 8350

BW OFFSHORE MANAGEMENT USA INC
2925 Briar Park, Suite 1295
Houston, Texas 77042
USA
Tel.: +1 713 781 0670

GLOBAL PRESENCE
Bermuda: Hamilton
Singapore
Norway: Oslo, Arendal
Brazil: Rio de Janeiro
USA: Houston, New Orleans
Mexico: Ciudad del Carmen
India: Mumbai
Nigeria: Lagos
Republic of Côte d'Ivoire: Abidjan
Gabon: Port Gentil
Indonesia: Jakarta
United Kingdom: Aberdeen
Netherlands: Hoofddorp
France: Paris
UAE: Dubai

contact@bwoffshore.com
www.bwoffshore.com

Global Reporting Initiative (GRI) Content Index 2021

General Disclosures

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference #
The organisation and its reporting practises			
GRI 2-01	Organisational details	BW Offshore Limited Organisational details are described in 2021 Annual Report, page 73, Note 1, and page 6.	
GRI 2-02	Entities included in the organisation's sustainability reporting	A full list of subsidiaries and joint ventures is included in the 2021 Annual Report, page 113 (Note 22). BW Offshore does not include Sustainability Reporting for BW Ideol.	
GRI 2-03	Reporting period, frequency and contact point	BW Offshore reports annually, and financial report and sustainability report is done for full year 2021, published 28 February 2022. Contact person for BW Offshore's Annual Report and Sustainability Report is Una Holmen, Senior Manager Sustainability & Communications, una.holmen@bwoffshore.com	
GRI 2-04	Restatements of information	Not applicable	
GRI 2-05	External assurance	BW Offshore does not have a policy in place for external assurance practises. BW Offshore's Sustainability Report is assured internally by the Board of Directors.	

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference #
Activities and workers			
GRI 2-06	Activities, value chain and other business relationships	BW Offshore is a provider in the Oil & Gas sector, and the Company's clients are primarily international E&P companies and national oil companies. Other relevant business relationships are local state security forces in countries of operation. The Company's value chain is described in the 2021 Annual Report page 29, and on the Company's website: https://www.bwoffshore.com/about-us/ https://www.bwoffshore.com/working-with-us/vendor-information/ No major changes in sector or value chain occured in the reporting period for the 2021 Annual Report and Sustainability Report.	
GRI 2-07	Employees	Note to tables: – The personnel statistics are based on the year end headcount from December 2021. – 'Other' region for offshore personnel overview includes employees not bound to one specific FPSO or country. – The onshore headcount has gone up from 2020 with ~6 per cent due to extended project work for Barossa. The offshore headcount has gone down by ~10 per cent due to end of projects in Brazil and New Zealand.	

GRI 2-07 continued

ONSHORE

Gender	Africa	Americas	Europe	APAC	Grand Total
Female	32	11	60	130	233
Male	76	32	146	274	528
Grand Total	**108**	**43**	**206**	**404**	**761**

Gender/Employment category	Africa	Americas	Europe	APAC	Grand Total
Permanent Onshore Personnel	**72**	**40**	**188**	**281**	**581**
Female	22	10	55	102	189
Male	50	30	133	179	392
Direct Hire Contract Onshore Personnel	**7**	**1**	**3**	**85**	**96**
Female	5		1	23	29
Male	2	1	2	62	67
3rd Party Consultant Onshore Personnel	**25**	**2**	**15**	**34**	**76**
Female	4	1	4	4	13
Male	21	1	11	30	63
Resource Onshore Personnel	**3**			**2**	**5**
Female	1				1
Male	2			2	4
Consultant Onshore no hours	**1**			**2**	**3**
Female				1	1
Male	1			1	2
Grand Total	**108**	**43**	**206**	**404**	**761**

GRI 2–07 continued

OFFSHORE

Gender	Africa	Americas	Europe	APAC	Other	Grand Total
Female	2	7	7		2	18
Male	535	285	119	77	54	1 070
Grand Total	537	292	126	77	56	1 088

Gender/Employment Category	Africa	Americas	Europe	APAC	Other	Grand Total
Permanent Expat Offshore Personnel	109	127	7	13	28	284
Male	109	127	7	13	28	284
Direct Hire Contract Expat Offshore Personnel	24	7		5	6	42
Male	24	7		5	6	42
3rd Party Consultant Expat Offshore Personnel	5					5
Female	1					1
Male	4					4
Permanent National Offshore Personnel	203	152	99	51	20	525
Female	1	7	3		2	13
Male	202	145	96	51	18	512
Direct Hire Contract National Offshore Personnel	6	2	3	8		19
Male	6	2	3	8		19
3rd Party Consultant National Offshore Personnel	190	4	17		2	213
Female			4			4
Male	190	4	13		2	209
Grand Total	537	292	126	77	56	1 088

GRI 2-08	Workers who are not employees	Tables included in disclosure 2-07 are also applicable to disclosure 2-08. Note to tables: The most common type of non-permanent personnel are contract and consultant staff hired in for a time specific period. Contract personnel have direct contracts with the Company, while consultants are employes via 3rd party agreements. Non-permanent personnel onshore are typically hired for the following roles: 1. Project positions, technical and administrative role to cover for peak capacity needs during temporary project periods. 2. Specialist advisory roles to cover for competencies that the Company does not have inhouse. 3. Other consultancy contracts signed with specialists and advisors as frame agreements, where work scope and support are called off when and if needed. There has been significant increase of the number of non-permanent personnel for onshore roles since end of 2020. This is due to increased capacity needs for project execution and delivery work for a period of three years in relation to the Barossa project.

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference #
Governance			
GRI 2-09	Governance structure and composition	BW Offshore governance structure is described in the 2021 Annual Report, page 53. All members of the board are non-executive, and information about composition of the highest governance body and its committees is covered on page 23,and on the corporate website: https://www.bwoffshore.com/about-us/leadership/	
GRI 2-10	Nomination and selection of the highest governance body	Nomination and selection of BW Offshore's Board of Directors is available on the Company's website: https://www.bwoffshore.com/about-us/leadership, and criteria is described in the 2021 Annual Report, page 22.	
GRI 2-11	Chair of the highest governance body	The Chairman of BW Offshore's Board of Directors is not a senior executive in the Company.	
GRI 2-12	Role of the highest governance body in overseeing the management of impacts	Information about the role of the highest governance body and its committees is covered in the 2021 Annual Report, page 19 and 21, and on the Company's website: https://www.bwoffshore.com/about-us/leadership/ The Board of Directors performs annual reviews of BW Offshore's strategic planning and impacts through the Sustainability Report process. This is described in the 2021 Annual Report, page 32.	
GRI 2-13	Delegation of responsibility for managing impacts	Information about BW Offshore ESG Committee composition and responsibilities is included in the 2021 Annual Report, page 32. The Company reports on impacts on economy, environment and people quarterly, in relation to Board meetings, and the Board approves the annual sustainability report See the 2021 Annual Report, page 32.	
GRI 2-14	Role of the highest governance body in sustainability reporting	Information about BW Offshore ESG Committee composition and responsibilites is included in the 2021 Annual Report, page 32. The Company reports on impacts on economy, environment and people quarterly, in relation to Board meetings, and the Board approves the annual sustainability report See the 2021 Annual Report, page 32.	
GRI 2-15	Conflicts of interest	BW Offshore's processes to manage conflicts of interese is described in the 2021 Annual Report, page 55, and page 22.	
GRI 2-16	Communication of critical concerns	Critical concerts are reported to the Board of Directors on a quarterly basis. In 2021, 19 registered concerns related to bribery or corruption were reported to the Board of Directors. 16 concerns were subject to further investigation, none of which revealed any confirmed cases of corruption.	
GRI 2-17	Collective knowledge of the highest governance body	The members of the Board of Directors have substantial knowledge in areas related to sustainable development through extensive experience from a variety of fields within the industry. Skills and knowledge are maintained through positions held in various boards and committees, and through attending relevant events and forums.	

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference #
GRI 2-18	Evaluation of the performance of thehighest governance body	An annual questionnaire is issued by the Chairman to the Board of Directors for self-review. Results are shared with Nomination Committee who identifies any potential competence gaps. An annual evaluation of the Board of Directors is performed by the Chairman and Nomination Committee (independent stakeholders). In 2021, no actions were taken in response to evaluations.	
GRI 2-19	Remuneration policies	BW Offshore's Guidelines on Executive Remuneration and its Compensation Committee Guidelines are available on the Company's website: https://www.bwoffshore.com/ir/corporate-governance/ https://www.bwoffshore.com/about-us/leadership/	
GRI 2-20	Process to determine remuneration	BW Offshore's process for designing its remuneration policies is described in its Guidelines on Executive Remuneration and its Compensation Committee Guidelines, available on the Company's website; and in the 2021 Annual Report, page 24. https://www.bwoffshore.com/ir/corporate-governance/ https://www.bwoffshore.com/about-us/leadership/ As voted during Annual General Meeting, 14 May 2021, Directors' Fees were approved with 111 280 284 votes for, nil against, and 2 310 000 abstain.	
GRI 2-21	Annual total compensation ratio	The ratio of the annual total compensation for the BW Offshore's highest-paid individual to the median annual total compensation for all employees is 9.2:1. Numbers are based on all onshore permanent and direct contract employees. In 2021, the salaries of the BW Offshore Management team were not increased. As there was no adjustment, a ratio is not available.	

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference #
Strategy, policies and practices			
GRI 2-22	Statement on sustainable development strategy	For statement on BW Offshore's sustainable development strategy, see 2021 Annual Report, page 3 and 13, as well as in general throughout the 2021 Annual Report.	
GRI 2-23	Policy commitments	BW Offshore's policy statements are described in the 'Code of Ethics and Business Conduct' and 'Supplier Code of Ethics and Business Conduct', and its commitment to human rights is described in the 'Supplier Ethical Employment Practice Guidelines', available from the Company's website. https://www.bwoffshore.com/sustainability/governance-and-strategic-commitment/ https://www.bwoffshore.com/sustainability/governance-and-strategic-commitment/supplier-code-of-ethics/ Modern Slavery Statement: https://www.bwoffshore.com/sustainability/governance-and-strategic-commitment/ The Code of Ethics, Supplier Code of Ethics, Supplier Ethical Employment Practice Guidelines are all approved by the CEO, while the Modern Slavery Statement is approved by Chairman of the Board of Directors. The policy commitments included in this section are applicable to all employees, business partners, suppliers, agents or other third parties when conducting businesses with BW Offshore, and mandatory e-learning is in place for all employees and workers. Policy commitments are included in T&Cs for suppliers, and available on the Company's website. https://www.bwoffshore.com/sustainability/governance-and-strategic-commitment/supplier-code-of-ethics/	
GRI 2-24	Embedding policy commitments	BW Offshore's policy commitments are included in the Code of Ethics and Business Conduct, and the subsequent Code of Ethics Guidelines. Policy commitments are allocated to relevant stakeholders in the following functions: Process and Document Owner / Implementation; and Verification. In the organisation's Management System, it is stated which departments/functions each policy is applicable for. BW Offshore's Management System is structured into four levels, where level one is policies applicable for all employees. The subsequent levels are tied in to the level above ensuring embedment of policies throughout the various processes in the organisation. Processes for implementation of policy commitments are described in the 2021 Annual Report, page 56, and mandatory e-learning courses are routinely rolled out to all employees to ensure ownership and commitment throughout the organisation.	

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference #
GRI 2-25	Processes to remediate negative impacts	Commitment to remediate negative impacts is described in the 2021 Annual Report, page 56. The BW Offshore Speak Up Channel is available to all employees and suppliers, managed by a third-party provider to ensure anonymity. In addition, Safety Observation cards are available on all units, in all offices, and on the Corporate website for any party to report a grievance or observation: https://www.bwoffshore.com/contact/observation-cards/ See 2021 Annual Report, page 56 for further details. In 2021, Observation Card were made available on the Company's website. In this process, stakeholders from the organisation were involved in the design and review of the selected solution. In addition, all offshore employees have received personal email addresses in 2021, enabling access to the Speak Up Channel, available in a wide variety of languages. The Company commits that no retaliation will be taken against any personnel for raising any concern, question, grievance or complaint in good faith. Results of investigations are reported to the Board of Directors at least on an annual basis.	
GRI 2-26	Mechanisms for seeking advice and raising concerns	Information about BW Offshore's Compliance Programme is made available in the Company intranet and through infographics in offices and on offshore units for employees and visitors. For other parties, information is available on the Company's website, through the Observation Cards, or by using the compliance email available on the website: https://www.bwoffshore.com/sustainability/governance-and-strategic-commitment/	
GRI 2-27	Compliance with laws and regulations	The Company has not been involved in any significant instances of non-compliance that resulted in administrative or judicial sanctions or fines during 2021.	
GRI 2-28	Membership associations	Maritime Anti-Corruption Network - MACN Norwegian Energy Partners - NORWEP Norwegian Business Association (Singapore) - NBAS	

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference #
Stakeholder engagement			
GRI 2–29	Approach to stakeholder engagement	BW Offshore's approach to stakeholder engagement is described in the 2021 Annual Report, page 32.	
GRI 2–30	Collective bargaining agreements	Collective bargaining agreements, and rights and obligations are described in the 2021 Annual Report, page 51.	
Material topics			
GRI 3–1	Process to determine material topics	BW Offshore continually engages with stakeholders such as customers, partners, regulators, suppliers, contractors, investors and lenders, as well as with internal stakeholders such as employees and contracted staff. The process to determine the Company's material topics is described in the 2021 Annual Report, page 32, and generally throughout the report.	
GRI 3–2	List of material topics	Based on the 2020 materiality analysis, BW Offshore has defined the following as the most important factors for long-term value creation: • Safe and secure operations • Environmentally conscious operations • A strong governance framework • Being a non–discriminating and fair employer The Company did not make changes to its material topics in 2021.	

Safe and secure operations

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference #
Material Topic: Safe and secure operations			
GRI 03-3	Management of material topics	Management of procedures to ensure safe and secure operations is described in the 2021 Annual Report, page 35, and throughout the chapter on Safe and secure operations (Zero Harm). The Company has selected the following Topic Standards to report specific information on the Material Topic: GRI 403 Occupational Health and Safety GRI 404 Training and Education	
GRI 403 Occupational Health and Safety			
GRI 403-01	Occupational health and safety management system	Information on how BW Offshore manages processes relates to occupational health and safety is described in the 2021 Annual Report, page 35.	11.9.2
GRI 403-02	Hazard identification, risk assessment, and incident investigation	Contractors working at BW Offshore sites operate under the Company's control of work processes, and BW Offshore maintains oversight to manage risks. This is described in the 2021 Annual Report, page 35. BW Offshore has a 'Stop Work' policy in place, giving all employees the explicit authority to stop any actions they think are unsafe and/or they are unsure about. Read more in the 2021 Annual Report, page 39. Improvements are made to the Management System as a result of identified hazards, incident investigation findings, the annual management review and worker input captured in the Company's Management System. Read more in the 2021 Annual Report, page 36 and 37.	11.9.3
GRI 403-03	Occupational health services	BW Offshore's occupational health services are described in the 2021 Annual Report, page 51.	11.9.4
GRI 403-04	Worker participation, consultation, and communication on occupational health and safety	Stakeholder review and approval of the BW Offshore Management System is described in the 2021 Annual Report, page 35. Local Work Environment Committees or their equivalent are in place to ensure that a secure, safe and healthy working environment is implemented, discussed between management and employee representatives and maintained appropriately., see 2021 Annual Report, page 51.	11.9.5

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference #
GRI 403-05	Worker training on occupational health and safety	HSE induction training is mandatory for all personnel and completion is recorded in the Company's e-learning portal, as described in the 2021 Annual Report, page 49.	11.9.6
GRI 403-06	Promotion of worker health	All personnel have access to non-occupational healthcare services. The services are described in the 2021 Annual Report, page 39.	11.9.7
GRI 403-07	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	BW Offshore prevents or mitigates significant negative occupational health and safety impacts that are directly linked to its operations, products or services by its business relationships. The Company's approach is described in the 2021 Annual Report, page 56, and in the Supplier Code of Ethics and Business Conduct, available on the Company's website: https://www.bwoffshore.com/working-with-us/vendor-information/	11.9.8
GRI 403-08	Workers covered by an occupational health and safety management system	BW Offshore has implemented an occupational health and safety management system based on legal requirements and recognised standards. The management system applies to all workers, contractors and visitors who are present at any BW Offshore controlled workplace. Read more in the 2021 Annual Report, page 35, and throughout the Safe and secure operations section of the report.	11.9.9
GRI 403-09	Work-related injuries	BW Offshore's complete HSE statistics are described in the ESG KPI table in the 2021 Annual Report, page 59. Rates are calculated as per IOGP standard, with 1 000 000 hrs, and no workers are excluded from the statistics. The main types of work-related injuries are asphyxiation, body and hand trauma, foreign body in eye and dehydration. Work related hazards are managed through the control of work systems which requires risk assessment, control of hazards and authorisation to work for all work scope undertaken offshore.	11.9.10
GRI 403-10	Work-related ill health	In 2021, BW Offshore had zero numbers of cases recorded as a result of ill health. Statistics include all workers at BW Offshore premises, onshore and offshore. An occupational health risk assessment process is in place to identify and manage occupational health hazards during the operations phase, while at project phase health hazards are typically identified through the hazard identification studies at the engineering design. Health hazards are routinely managed through the health risk assessment process and management system processes for management of noise, asbestos, naturally occurring radioactive material (NORM), hand/arm vibration syndrome, potable water management, catering etc.	11.9.11

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference #
GRI 404 Training and Education			
GRI 404-01	Average hours of training per year per employee	A majority of Internal training courses are done in BW Offshore's e-learning portal, described in the 2021 Annual Report, page 49. The Company does not track training per gender.	
GRI 404-03	Percentage of employees receiving regular performance and career development reviews	See table below	

Performance Dialogues 2020 Completion

Employee Category	Onshore	Offshore[1]	Total
Employee base/eligible for Performance Dialogue	538	901	1 439
Employees who have completed Performance Dialogues	415	603	1 018
	77.14%	66.93%	70.74%

[1] This includes employees on permanent rotation (both permanent and fixed term contracts on a permanent rotation onboard the units).

The Company does not track performance review per gender.

Environmentally conscious operations

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference #
Material Topic: Safe and secure operations			
GRI 03-3	Management of material topics	Management of procedures to ensure environmentally conscious operations is described in the 2021 Annual Report, page 40, and throughout the chapter. The Company has selected the following Topic Standard to report specific information on the Material Topic: GRI 305 Emissions	
GRI 305 Emissions			
GRI 305-01	Direct (Scope 1) GHG emissions	BW Offshore's complete environmental data is described in the ESG KPI table in the 2021 Annual Report, page 59–61. The source of the emission factors and the global warming potential (GWP) rates used for Scope 1 emissions are the Oil and Gas UK Environmental Emissions Monitoring System, the Climate Registry and IPCC 5th assessment report. The consolidation approach used for emissions is operational control, and the methodologies/assumption used are based on the Oil and Gas UK Environmental Emissions Monitoring System and American Petroleum Institute 2009 Compendium of Greenhouse Gas Emissions methodologies for the Oil and Natural Gas Industry.	11.1.5
GRI 305-02	Energy indirect (Scope 2) GHG emissions	BW Offshore's complete environmental data is described in the ESG KPI table in the 2021 Annual Report, page 59–61. The source of the emission factors and the global warming potential (GWP) rates used for Scope 2 emissions are the International Energy Agency 2020 Emissions Factors and IPCC 5th Assessment Report for GWP rates. The consolidation approach used for emissions is operational control, and the methodologies/assumption used are based on the Greenhouse Gas Protocol Scope 2 Guidance.	11.1.6

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference #
GRI 305-03	Other indirect (Scope 3) GHG emissions	BW Offshore's complete environmental data is described in the ESG KPI table in the 2021 Annual Report, page 59–61. The source of the emission factors and the global warming potential (GWP) rates used for Scope 3 emissions are the Oil and Gas UK Environmental Emissions Monitoring System, the Climate Registry and IPCC 5th assessment report. The consolidation approach used for emissions is operational control, and the methodologies/assumption used are based on the Oil and Gas UK Environmental Emissions Monitoring System and American Petroleum Institute 2009 Compendium of Greenhouse Gas Emissions methodologies for the Oil and Natural Gas Industry.	11.1.7
GRI 305-04	GHG emissions intensity	The metric chosen by BW Offshore to calculate the GHG emissions ratio is annual revenue (USD).	11.1.8
GRI 305-05	Reduction of GHG emissions	When including CO_2, CH_4, N_2O and HFCs in the calculation, BW Offshore has reduced Scope 1 freon gas usage by 4 535 metric tonnes (27 per cent) from 2020 usage rates. Scope 3 air travel emissions was reduced by 114 metric tonnes (2 per cent) from 2020 (9 034 metric tonnes / 59 per cent from 2019 rates). The baseline GHG emissions for each asset in the operating fleet is formulated as a 5 per cent margin on top of the 12-month GHG emissions rolling average. The Company's assets are operated under contracts with oil field operators and therefore BW Offshore has minimal control over the GHG emissions produced by the asset, however, the Company monitors emissions on a monthly basis, and seeks to minimise GHG emissions rates to within a reasonable optimal operating range based on how the asset is instructed to operate contractually.	11.2.3
GRI 305-07	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	BW Offshore reports on emissions of NOX, SOX and VOC in the 2021 Annual Report, page 60. The Company uses the Oil and Gas UK Environmental Emissions Monitoring System, and bases its reporting on methodologies from the American Petroleum Institute 2009 Compendium of Greenhouse Gas Emissions methodologies for the Oil and Natural Gas Industry.	11.3.2

Being a non–discriminating and fair employer

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference #
Material Topic: Being a non–discriminating and fair employer			
GRI 03–3	Management of material topics	Management of procedures to ensure being a non–discriminating and fair employer is described in the 2021 Annual Report, page 47, and throughout the chapter. The Company has selected the following Topic Standards to report specific information on the Material Topic: GRI 401 Employment GRI 405 Diversity and Equal Opportunity	
GRI 401 Employment			
GRI 401–01	New employee hires and employee turnover	Employee hires and turnover is monitored for onshore permanent personnel. Note: There were no joiners in the Americas in 2021.	

JOINERS

Gender/Region	Africa	Europe	APAC	Total
Female	50%	18%	40%	31%
Male	50%	82%	60%	69%

Gender / Age	Number	Percentage
Female	**17**	**31%**
<30	3	6%
30–50	13	24%
50<	1	2%
Male	**37**	**69%**
<30	6	11%
30–50	26	48%
50<	5	9%
Grand Total	54	100%

GRI 401–01 continued

TURNOVER

Gender/Region	Africa	Americas	Europe	APAC	Total
Female	33%	48%	31%	29%	38%
Male	67%	52%	69%	71%	62%

Gender / Age	Number	Percentage
Female	20	38%
<30	2	4%
30–50	16	30%
50<	2	4%
Male	33	62%
<30	4	8%
30–50	24	45%
50<	5	9%
Grand Total	53	100%

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference #
GRI 405 Diversity and Equal Opportunity			
GRI 405-01	Diversity of governance bodies and employees	BW Offshore's Board and Management composition is described in the 2021 Annual Report, page 17 and 18, and on the Company's website: https://www.bwoffshore.com/about-us/leadership/ On 31 December 2021, 14 per cent of the total workforce was female and 86 per cent male.	11.11.4
GRI 405-02	Ratio of basic salary and remuneration of women to men	BW Offshore takes a holistic view of various factors to ensure that total employee compensation is fair, as described in the 2021 Annual Report on page 50.The Company monitors ratio of basic salary and remuneration of women to men for permanent employees by significant location of operation. This is done for same jobs onshore where there is statistical representation in the location. The minor representation of women among offshore employees does not permit such ratio comparison for offshore employees. The ratio is around 1:1 for a majority of the same jobs. A few jobs are identified where the average salary levels are lower for women. The opposite ratio difference is also identified, where the average salary level for men is found to be lower than the average salary level for women.	11.11.5

Gender / Age	Onshore	Offshore
Female	**33%**	**2%**
<30	3%	0%
30-50	23%	1%
50<	7%	0%
Male	**67%**	**98%**
<30	3%	3%
30-50	44%	68%
50<	20%	28%

A strong governance framework

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference #
Material Topic: A strong governance framework			
GRI 03-3	Management of material topics	Management of procedures to ensure a strong governance framework is described in the 2021 Annual Report, page 53, and throughout the chapter. The Company has selected the following Topic Standards to report specific information on the Material Topic: GRI 205 Anti-corruption GRI 409 Forced or Compulsory Labour GRI 414 Supplier Social Assessment	
GRI 205 Anti-corruption			
GRI 205-01	Operations assessed for risks related to corruption	a. Nine offshore units (100 per cent of units in operation) and fifteen (100 per cent) offices.	11.20.2
GRI 205-02	Communication and training about anti-corruption policies and procedures	BW Offshore's Code of Ethics and Business Conduct (The Code) covers anti-corruption, and is applicable to 100 per cent of the company's governance body members. The Code is available on the Company's website: https://www.bwoffshore.com/sustainability/governance-and-strategic-commitment/ The Company's Compliance Awareness Programme is described in the 2021 Annual Report, page 55. The Code is included in mandatory E-learning for all employees, and is communicated to 100 per cent of personnel. The Supplier Code of Ethics and Business conduct is communicated to 100 per cent of vendors. An anti-corruption awareness session was conducted by BW Offshore's Corporate Integrity function in December 2020 for the members of the Board. Hence, no specific training was provided in 2021.	11.20.3
GRI 205-03	Confirmed incidents of corruption and actions taken	In 2021, BW Offshore did not record any confirmed cases of corruption, nor were there any cases where employees were dismissed or disciplined as a result of corruption. The Company's work to eliminate any unethical and non-compliance business practices - including corruption - is described in the 2021 Annual Report, page 55, and throughout the Governance section of the report.	11.20.4
GRI 409 Forced or Compulsory Labour			

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference #
GRI 409-01	Operations and suppliers at significant risk for incidents of forced or compulsory labour	BW Offshore contributes to the elimination of all forms of forced or compulsory labour. The Company's commitment is described in the annual Modern Slavery Statement, available on the Company's website: https://www.bwoffshore.com/sustainability/governance-and-strategic-commitment/	11.12.2
GRI 414 Supplier Social Assessment			
GRI 414-01	New suppliers that were screened using social criteria	In 2021, 100 per cent of new vendors were screened using social criteria as part of BW Offshore's compliance assessment of business partners. Details are described in the 2021 Annual report, page 57.	11.12.3

www.bwoffshore.com

Design: Artbox AS. Trykk: Printbox AS.